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# FARM AND FOOD PROGRAMS

## HEARINGS

BEFORE THE

## SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

## COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

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AUGUST 17, 1984—JACKSON, MS
AUGUST 31, 1984—STARKVILLE, MS
SEPTEMBER 5, 1984—GREENWOOD, MS

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# FARM AND FOOD PROGRAMS

FRIDAY, AUGUST 17, 1984

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
*Jackson, MS.*

The subcommittee met, pursuant to notice, in the Coliseum Ramada Inn, Hon. Thad Cochran (chairman of the subcommittee) presiding.

Present: Senator Cochran.

## STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. The hearing of the subcommittee will please come to order. I am very happy to announce this morning the convening of the first in a series of hearings here in the State of Mississippi under the auspices of the Committee on Agriculture, Nutrition, and Forestry of the U.S. Senate.

Specifically, these hearings are being conducted by the subcommittee which will have the responsibility of drafting the new farm bill that will have to be written by Congress in 1985, it's my honor to serve as chairman of that subcommittee. It is known as the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices and we have jurisdiction over the commodity programs and other legislation that is assigned to it by the full Committee on Agriculture. Senator Jesse Helms of North Carolina is chairman of the full committee, and I wish to express my appreciation to him for authorizing this series of hearings.

The first hearing will focus on various aspects of agricultural interests, including agribusiness and the livestock industry, with an overview, too, on what the specific needs of agriculture are in Mississippi and the Deep South. Our second hearing will be held in Starkville on August 31 in the Extension Service Conference Building. Our third hearing will be held in Greenwood on September 5 in the Greenwood Leflore Civic Center. Those hearings will touch on the subjects of conservation, credit, research, and general policy, as well as specific programs for cotton, rice, soybeans, wheat, and aquaculture.

As you all know, agriculture is our Nation's biggest industry. Farm assets equal 70 percent of the capital assets of all manufacturing corporations. Agriculture employs 20 percent of the private work force. It is also responsible for a trade surplus this year of

about $20 billion, which helps to reduce the trade deficit that is incurred in other industries.

Here in Mississippi, economic activity related to agriculture accounts for 33 percent of total business. Farm sales alone totaled more than $2.9 billion and account for 16 percent of Mississippi's total business. Mississippi agriculture employs, directly or indirectly, more than 200,000 people. That's almost 25 percent of our State's total work force.

I think these statistics illustrate very clearly why the State has a great deal of interest in the decisions that are made in Washington relating to farm programs and agricultural research and all of the other activities that have an impact on agriculture and its economic well-being. I appreciate those of you who are participating in the hearing because you are helping develop a base of information which Congress can use to make decisions with respect to the 1985 farm bill. More than ever before, there will be an effort made this year by a wide range of interests throughout the United States to provide the Congress with opinions and information and suggestions as to the form and content of the farm bill. I think this is good. The input that we will be receiving in the Committee on Agriculture will help improve the quality of the decisionmaking process; and I know of no better place in the country to start this process than right here in our State.

Our first witness this morning for our hearing is Ted Kendall, who is representing the livestock industry. Ted, if you'll come forward. Ted is a cattleman from Bolton, MS. He has other agriculture interests as well, and has served with distinction as president of the Mississippi Cattlemen's Association, and is an outstanding civic leader. I know he has served on the board of Hinds Junior College, where my father, this year, served as president of the alumni association; and he's been a close personal friend for many years as well. I appreciate your being here and ask you to proceed in any way that you wish. We have a copy of your prepared statement, which we'll make a part of the record in full.[1]

## STATEMENT OF TED KENDALL, PAST PRESIDENT, MISSISSIPPI CATTLEMEN'S ASSOCIATION, BOLTON, MS

Mr. KENDALL. Thank you, Senator Cochran. As you said, I'm Ted Kendall. I'm a cattleman from Bolton, MS. This morning I'm representing the Mississippi Cattlemen's Association, and I've served as past president and a member of the executive committee.

We would like to commend your subcommittee for holding this hearing on the 1985 farm bill; and we are happy to be here and have an opportunity to discuss some of our thoughts and concerns with you.

The beef cattle industry is the largest segment of agriculture, accounting for over 20 percent of the total cash receipts of agriculture. Cattlemen have obtained this position substantially without the involvement of much Government. Cattlemen have generally opposed direct production controls and subsidies on beef and beef cattle.

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[1] See p. 99 for the prepared statement of Mr. Kendall.

Cattlemen have traditionally adopted a policy of limited involvement in formulating and implementing farm policy, particularly policy for specific commodities. We have tended to react to the farm programs only when a particular program might harm beef cattle producers and feeders; but recent events have caused us to question our traditional arm's length role in farm policy formulation. Cattlemen have experienced the same volatility and sense of uncertainty that other agricultural groups have been vocal about. Unfortunately, we trace much of that uncertainty to the influence of Government programs. Two programs have particularly affected our industry.

First, last year, 1983, the Payment-In-Kind Program had a substantial adverse impact upon the cattle producers and feeders. We were harmed because the program was formulated and implemented rapidly and with little apparent thought given to the impact the program might have on livestock producers. Grain prices were raised substantially. Since we are a cow-calf State in Mississippi producing calves, this extra cost of grain was taken off the Mississippi producers' product. This program, more than anything else, drove home to our members the impact that Government programs can indirectly have on us. We now must contend with program uncertainty, as well as weather and market uncertainty.

The second significant Government action which affected our program followed the PIK Program, and it was the dairy program. This program, a Payment-In-Cash Program, in our view, subsidized dairy producers to compete with us in beef markets. In our involvement in the 1985 farm bill, we're not seeking any more Government involvement in our industry with production controls or direct subsidies, but we have been forced to recognize that farm programs can and do have both direct and indirect effects that can seriously affect our industry. For this reason, cattlemen here in Mississippi and all over the United States plan to become more involved in the formulation of the new farm bill.

In your invitation to us to testify, you wanted us to specifically address three questions; and we'll try to do this very briefly.

First of all, what should be the objectives of the 1985 farm bill? We feel like the main objective of the 1985 farm bill should be to return market orientation to agriculture, where the market, not the Government program, determines producers' decisions. Certainly some form of safety net might be incorporated, but these provisions should not impede the role of market prices as arbiters of producers' decisions. Instead, we must work to ensure the producer freedom to choose what and how to produce based upon a price signal determined in a freely functioning market.

Second question, what changes, if any, should be made in current programs to accomplish these objectives? We feel like any agricultural policy adopted in 1985 must be forward looking. We've seen dramatic changes in agriculture in the past few years. Too often agricultural programs have been reactions to events that have already occurred, rather than in anticipation of those that will occur. We feel like the proper role of Government in agriculture must be reexamined. There's got to be a recognization that Government intervention into agricultural markets is disruptive and distorts economic relationships that should exist if the market were al-

lowed to function freely. These disruptions and distortions and inaccurate signals to producers lead to misallocation and even abuse of the natural resources that are the lifeblood of our industry. We feel like the impact of any commodity program upon other commodities and upon our natural resource base must be determined prior to enactment of the program. A program that takes away from one segment of agriculture to subsidize another is both shortsighted and unfair.

The third question, which issues should receive the most attention as new legislation is considered? We feel like that setting support levels so as not to stimulate excessive overproduction or to encourage inefficient production, being certain that you do not help one commodity at the expense of another, and, specifically in our case, not allowing grazing of land that is taken out of production under a farm program during the time that that property would normally be producing.

We are aware of the very difficult job your committee has in formulating the farm program. We appreciate this opportunity to be in the early stages. We feel that agriculture is still the backbone of this country, and we sincerely hope the farm bill of 1985 will solve some of this industry's problems and return some much needed profitability to this important sector of our economy. Thank you.

Senator COCHRAN. Thank you very much, Ted Kendall, for your presentation and for being our leadoff witness at the first hearing. I recall that we had a very involved debate on the floor of the Senate last week on this last issue you touched on about the grazing of land taken out of production.

Mr. KENDALL. Cattlemen can't agree on that issue.

Senator COCHRAN. It's a very touchy issue that involves haying and grazing on wheat lands. The Senators from Oklahoma pushed for an amendment to the agricultural appropriations bill that would permit grazing, and it was worked out with the Department. A compromise, not exactly what they were urging, but a 1-month period of time was agreed on just for grazing, not haying, as an exception to the acreage reduction program in wheat.

We are very fortunate to have this morning at our hearing, Randy Russell, Deputy Assistant Secretary for Economics, from the U.S. Department of Agriculture, and Jim Buck Ross, our commissioner, Mississippi Department of Agriculture and Commerce. I would like to ask both of them to come forward at this time. Randy Russell has had experience as a staff member of our U.S. Senate Agriculture Committee; and we've seen a great deal of him for the past 6 years. It's a privilege to work with him. He does a fine job for the Secretary. We're delighted that he's here to represent the Department this morning. We'd like to ask him to proceed with any comments that he has, and Commissioner Ross will follow him; and then we'll have a chance for some questions.

## STATEMENT OF RANDY M. RUSSELL, DEPUTY ASSISTANT SECRETARY FOR ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. RUSSELL. Thank you, Senator Cochran. It's a pleasure to be here in Mississippi today, and particularly to be in Jackson to initiate these farm bill proceedings.[1]

Because of the shortness of time, I'd like to focus on four different areas that we feel in the Department will be of vital interest to producers and agribusiness as we approach the 1985 farm bill. Those four issues are the size and distribution of the farm program benefits; second the production control programs; third, the impact of loan rates; and, fourth, agricultural credit issues.

First of all, looking at the size and distribution of benefits, we feel the key debate will be focused on the size of the income transfer that's going to take place from the nonfarm to the farm sector. As you know, Mr. Chairman, farm program costs went from $4 billion in 1981 to $19 billion in 1983. We feel a key question will be at what level will the public continue to support farm spending in the rest of the 1980's? One item to keep in mind as we focus on the 1985 farm bill is how to structure the agricultural exchange. Today 12 percent of the farmers market and produce about two-thirds of the output and have average incomes of over $85,000. On the other hand, 60 percent of the farmers produce and market only about 10 percent of the output; and this group receives only about 15 percent of their income from on the farm. The rest is off-farm. I believe the major debate will focus on how farm program benefits should be targeted.

Another key question that we have to focus on will involve payment limitations. Should we continue to have payment limitations; and, if so, at what level? And if we're going to continue to have acreage reduction programs, how do these payment limitations effectively impact producers that try to participate in the program? Second of all, should program benefits be tied to good soil water conservation practices? It's certainly something that we've been looking at, and the Senate and the House have been looking at in terms of the sodbuster legislation.

Another area that will be very much in the forefront of the debate, will be the use of acreage reduction programs. In the Department of Agriculture, we've been looking at the effectiveness of these programs, and I think we have to say that they've largely been ineffective over the last 40 or 50 years; and I say this, Mr. Chairman, for four reasons.

First of all, the producers that participate in the program usually tend to take their worst land out of production first. Second of all, the payment limitations have rendered the programs unattractive for a number of large producers, particularly in the case of cotton and rice. Many of those are in that category of the 12 percent of the producers that produce two-thirds of the output. The third impact has been that some producers have stayed outside the program, knowing that the Government is going to try to prop up prices by using demand initiatives to try to keep the price up to the target price and minimize budget exposure. And, fourth, and

[1] See p. 102 for the prepared statement of Mr. Russell.

probably most importantly, Mr. Chairman, is that, while the United States has been reducing its production the last 3 or 4 years, our major competitors have turned around and increased their production. A good example is wheat in 1983. We reduced our production 11 million metric tons. The Canadians, the Australians, the Argentines, and the French increased their production 11 million metric tons. So, to put it simply, this has negated the impact of acreage reduction programs.

So, I think, Mr. Chairman, we have to ask ourselves have these acreage reduction programs and production control programs really been in our long-term best interests? A good example is to look at peanuts and soybeans. In 1930, we produced and harvested 1.1 million acres of both peanuts and soybeans. If you look at what has happened 50 years later, it's a different story. As you know, we follow a very supply control oriented program in the case of peanuts. By 1983, we increased our harvested acreage only to 1.4 million acres; and the value of production was $500 million. In the case of soybeans we followed a much more market oriented approach with only a loan rate, no reserve, no target prices and no acreage reduction programs. By 1983, soybean harvested acreage was 68 million acres, and the value of the crop had gone to $13½ billion. So, it shows, even though there are some differences certainly between those two commodities, what can happen when we rely totally upon very tight acreage control programs.

Another example is cotton. In 1930, we produced 14 million bales of cotton in this country, which represented half of world production. By 1983, our production had gone down to 7½ million bales, and foreign production had increased sevenfold; and this is after 50 years of continued reliance upon acreage control programs.

The third area, Mr. Chairman, that we feel will be very important as far as the 1985 farm bill is concerned are commodity loan rates. I don't think that there's anyone in the Department who feels like we should not have price support programs. They certainly play a very legitimate role and are needed. The question is how should they be set and at what levels should they be set at? And we have seen that loan rates for certain commodities have caused problems in terms of our competitiveness internationally; and we've also, in some instances, seen a large build up of stocks domestically and also a loss of domestic markets. Without going into a lot of detail, I would say that we have some examples that show what has happened when we have high loan rates. In the case of rice, the last 3 years the volume of U.S. rice exports has gone down 33 percent, while our major competitor, Thailand, has increased their rice exports 30 percent. Right now, U.S. rice is probably $150 to $175 a ton above what the Thais are offering. Just recently, we've seen Thai sales to Mexico, which normally we would consider our market; but Thailand has been able to undercut our price. Some of that, certainly not all of that, is related to the level that our loan rate is set at.

One interesting example of a different problem, Mr. Chairman, is that we've even seen instances where loan rates have caused loss of domestic market. The honey program is a good example of that. Right now we are taking over about 105 million pounds of honey a year. We project that next year the Commodity Credit Corporation

will be taking over two-thirds of the honey crop. The domestic market is essentially the only market for honey producers in this country. However, we're getting a tremendous influx of imports, particularly from China, who are undercutting our domestic market. The reaction of U.S. producers has been to contemplate filing section 201 complaints before ITC to try to shut off the imports. So, I think the question we have to ask is, is that really the primary problem, or do we have the support price so out of line that it's distorting the impact of imports on the domestic market.

The last area I'd like to talk about, Mr. Chairman, and one I know that you have been very interested in, is the credit situation. I think we in the Department are very sensitive to the credit situation and the debt loads that many producers have been facing. I think one of the things we have to address in the 1985 farm bill is that we have to make sure that we have consistent objectives between our commodity programs and our farm credit programs. Often, when we've had acreage reduction programs in the past and been trying to reduce production, we've been increasing expenditures under Farmers Home Administration for farm real estate loans. During the 1960's we were taking out about 55 million acres a year annually; and, at the same time, Farmers Home real estate purchases increased 20 percent per year. We really have to question whether we're being consistent between our commodity programs objectives and our farm credit programs.

I would like to say, Mr. Chairman, that, with the help of the Congress, we've tried to do a number of things in the area of ag credit. In the case of Farmers Home, we've been able in 1983 to stay with 98 percent of our producers; and that is given the fact that 40 percent of our Farmers Home borrowers have debt to asset ratios over 60 percent. We've also, with the help of Congress, increased short-term operating loans to try to keep a number of producers in business. Finally, at your initiation, last week, we had a credit roundtable here in Mississippi with a number of producers that the Secretary attended which provided us with some additional insights and some additional alternatives on how we might be able to address this credit situation. Mr. Chairman, we don't have a solution right now. I wish we had one to put forward to you.

We recognize that, nationally, 8 percent of the producers have debt-to-asset ratios of probably over 60 percent; and that probably 20 percent of the producers have debt-to-asset ratios now of over 40 percent. Yet, in different areas of the country, such as Iowa, eastern Nebraska, southern Minnesota and Missouri, it's certainly more severe than that. Certainly, even in your own State there are many counties that face financial stress often because of drought or flood problems that have been experienced over the last 2 to 3 years. As we approach the 1985 farm bill, one question we have to ask ourselves is what really is the legitimate role of Farmers Home Administration? Should they be making real estate loans? Should they be making operating loans? Should they be making both? I think that's something that we have to address in 1985. Also, we have to make sure that there is consistency between our commodity program objectives and our farm credit programs to make sure that they are going in the same direction.

In closing, Mr. Chairman, I'd like to say that we in the Department of Agriculture feel that the ag sector is really the most important industry we have. It's the largest industry we have, and it represents 22 percent of our jobs, 20 percent of gross national product. We provide food and fiber for over 225 million consumers in this country and many more consumers around the world. Yet, at this time, we're facing many problems in the ag sector and many challenges. The 1985 farm bill debate certainly provides us with an opportunity to decide the future of our agricultural industry. We feel that the 1985 farm bill may very well decide whether the U.S. agricultural industry remains the envy of the world as it has been the last 50 years. In closing, I'd just like to say we look forward to working with you, working with your producers, and working with the agribusiness leaders here in Mississippi to develop the very best possible farm bill in 1985; and, hopefully, it will set us on the right course for a long-term recovery.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Randy Russell, for an excellent statement. I really appreciate your thoughtful work that went into the preparation of your presentation. Thank you very much.

It's always a great pleasure to welcome Commissioner Jim Buck Ross to a hearing. Thank you for being here, and we ask you to proceed in any way that you wish.

## STATEMENT OF JIM BUCK ROSS, COMMISSIONER, MISSISSIPPI DEPARTMENT OF AGRICULTURE AND COMMERCE

Mr. Ross. Thank you, Mr. Chairman. Before I get into the presentation, I think that one thing we've overlooked in some of our actions in USDA and elsewhere is the agribusiness sector of our economy and what effect farm programs have on them.[1] Fertilizer, seed, farm implement, farm equipment, they are a tremendous economic force; and, even though the production farmer numbers are decreasing, these people have a great stake in any farm program; and I hope that their welfare economically will be considered when farm programs are written.

Yesterday the Crop and Livestock Report came out; and, when you see it, you're going to be astounded at the tremendous increase that is predicted for grain, cotton, rice, and milo. We're going to have it running out of our ears, in talking in the vernacular.

I was with John Block yesterday a week ago. He said he wanted three things. One was adequate credit. Two was lower interest rates and a sound farm program. On the telex this morning, issued yesterday:

> Reagan farm debt plan in the works. President Reagan is expected to announce next week a plan under which the Federal Government, lending institutions, and farmers would cooperate to restructure the debt of financially failing farm families. The President's plan was revealed in Dallas during hearings on the GOP farm platform plank by Representative James Jeffords and Senator Robert Dole.

It says that these people met privately with Secretary Block, Frank Naylor, and Charles Shuman:

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[1] See p. 113 for the prepared statement of Commissioner Ross.

Republican platform writers have approved a farm plank saying that Federal action may be required to provide temporary interest rate relief on operational loans for farms and ranches.

Mr. Chairman, I appreciate your holding this hearing on the 1985 farm bill in Jackson.

Your July 31, 1984, letter inviting me to present a statement today states in part as follows:

Specifically, I seek testimony on the following three questions: What should be the objectives of the 1985 farm bill? What changes, if any, should be made in current programs to accomplish the objectives? Which issues should receive the most attention as new legislation is considered?

Mr. Chairman, despite the unexcelled record of production, American agriculture stands at a troubled and uncertain crossroad. All is not well down on the farm.

There are no easy solutions. There are no easy answers, but it seems to me that the key point is that agricultural policy as implemented over the last 2 decades has not reflected the fact that American agriculture is no longer national in scope. It is international. We are no longer relatively isolated from the rest of the world in any way. Since American consumption locally or in the United States is about as high as can be expected, foreign markets are expected to absorb an even larger portion of our farm products in the years ahead. The influence of global economics on the American farmer is destined to become greater and greater. In order for the U.S. agricultural plant to be continuously operated at an acceptable capacity level, our foreign market share must be maintained and expanded. We must agressively move in the world market. And may I again express my appreciation to you for supporting all the departments of agriculture in America in our national trade show which was held in Atlanta last year at which we had 72 nations represented, 1,100 foreign buyers, and sold over $200 million of American food and fiber. Next year it will be in Kansas City, and we are including seed, horticultural products, and wood products. So, it should be considerably larger.

Several farm program changes may be needed. Programs in the past 8 to 10 years have allowed farm income levels to vary substantially more than is desirable. An ideal program would be one that would allow our farmers to produce near maximum capacity on the suitable cropland, and at the same time be rewarded profitably for their efforts. This would allow the agribusiness sector to prosper, would meet the food and fiber needs of our people, and would help us meet the food and fiber needs of many people throughout the world.

Any farm program needs to recognize that unlimited production will place the farmer in periodic trouble, and some control or diversion program must be part of the concept. We need a farm program strong enough to guide our farm sector toward some degree of balance between supply and demand resulting in marketplace profits for farmers.

Loan rates should be established for all basic or storable commodities and major farm products at a level high enough and for a period long enough to enable producers to orderly market their production and make a reasonable profit above their cost of production. The financing requirements of agriculture are unique in

nature; and it is essential that the cost of capital reach a level where competent producers can once again afford to service their debts. It is essential that adequate credit at a reasonable rate of interest be made available to farmers on a timely basis. Now, what I mean on a timely basis is don't let him get the loan the last of June when he needed it the first of March.

It is recommended that consideration be given to implementing a long-term soil conservation program that includes enough economic incentives to take substantial quantities of our highly erosive land out of crop production. This will accomplish three things. It will maintain the productivity of this land. It will help stabilize farm income; and it will help us reduce some of the crop surpluses that continue to depress prices. Recent thoughts suggest that a 10-year land retirement program with the proper incentives might be highly successful. The public, I believe, is coming to regard our soil as a national resource toward which we must adopt a long-range view. If the public interest is served by preserving land productivity, then it seems reasonable that the public should be willing to invest in those long-term land-saving measures which the farmer cannot afford.

Summary: In conclusion, Mr. Chairman, let me summarize and respond specifically to the three questions in your letter.

What should be the objectives of the 1985 farm bill? The objectives should be to provide for sound and practical programs and methods of improving farm income. The major problem facing today's farmer is a lack of profitability. The combination of low commodity prices, rising operating expenses, and high interest rates have made the prospect for generating a profit rather remote; and this lack of profitability has caused farmers to go deeper into debt, which in turn has made year-end profits even more elusive.

We need a comprehensive agricultural program for the United States that will be responsive both to domestic concerns as well as international requirements. In this connection, we must move our agricultural supplies which are surplus to domestic needs into world trade at competitive prices. Farmers need expanded export sales which, in large measure, depend on Federal agricultural export policy. The objective of the 1985 farm program should be to utilize the Federal Government's resources in achieving the highest level of farm commodity exports in excess of domestic needs. I read a report recently of a study which showed that U.S. agricultural productivity would permit exports to increase significantly with only minimal effects on domestic prices. Agriculture's greatest challenge and our greatest opportunity lies in exports. The farm bill must recognize agriculture as a global industry. It must recognize the importance of exports to our economic vitality, and must be designed to make U.S. agriculture competitive in international trade.

What changes, if any, should be made in current programs? The target price concept needs to be considered very carefully. Target prices can commit the Government to such heavy cash outlay they cannot be allowed to advance too far. An aggressive, expanded export program could minimize the need for such a program.

What issues should receive the most attention? Since agriculture has changed drastically, any successful farm program will have to

include an effective trade program. The changing nature of agriculture, larger capital investments, more purchased technology, and the dependence of agriculture on exports markets, require that agricultural export policy be treated as an integral part of the farm program. Agriculture has evolved over the past 60 years from an occupation that everyone thought they understood, that we thought was relatively isolated from international events, into a very complex, specialized, highly capital intensive international business. In my opinion, issues related to agricultural export trade programs should receive the most attention as new legislation is considered.

Thank you very much.

Senator COCHRAN. Thank you, Mr. Commissioner, for your excellent statement; and I appreciate your bringing out the fact that the administration is paying attention out in Dallas to the need to do something about this farm credit problem that we face. I was delighted that the Department, as Randy Russell brought out, brought a roundtable discussion to Starkville, MS. That was not just a Mississippi meeting, either; it was national in scope and participation. There were representatives of the leading agricultural credit institutions from all around the country and representatives from national farm groups and others from around the Nation who came to Mississippi for that meeting. I was glad to see our State, and particularly Mississippi State University, be the host for that important meeting. I really think that we are going to have to make farm credit a part of the farm bill next year; and I think export policy and programs are going to also have to be included, as Commissioner Ross points out, in addition to the traditional commodity programs that are usually the focus of most of the attention when a farm bill is written.

Your presentations have been very helpful to us as we begin this series of hearings. It puts everything, I think, in the proper perspective as we begin our work toward developing the specific provisions that will have to be included in this farm bill. Thank you both very much for your excellent statements.

Our next panel is made up of two witnesses from general organizations which have a great stake in the farm bill provisions; the Mississippi Farm Bureau, which is represented today by J.L. Slay; and Stan Herren, who is here in his capacity as head of the agricultural division of Deposit Guaranty National Bank, the State's largest bank and a major lender in this area of the country. We appreciate both of you being here, and we'll ask J.L. Slay to start with his statement. Let me remind you that we do have copies of your statement, and they'll appear in the record in full, and we ask you to make whatever summary comments or abbreviated statements you can to permit us to have an opportunity for some discussion. Thank you. You may proceed, J.L.

Mr. SLAY. Thank you, Senator. First of all, I'd like to say that Mr. Arant is extremely sorry that he could not be here this morning, but, with a commitment with our State board of directors in town, he just couldn't be away from that meeting.

Senator COCHRAN. I understand that. Thank you.

## STATEMENT OF J.L. SLAY, REPRESENTING MISSISSIPPI FARM BUREAU FEDERATION

Mr. SLAY. Senator, the Mississippi Farm Bureau Federation is the general farm organization for Mississippi, comprised of 82 organized county farm bureaus. I appreciate this opportunity to appear before this subcommittee on agriculture to discuss our position for the 1985 Agriculture and Food Act.

The Farm Bureau has traditionally been recognized as an advocate of a market-oriented farm policy. The 1981 farm bill gave such direction and the 1985 legislation should be a continuation of that policy with certain modification. It is important to note that the Farm Bureau has a longstanding position of support for fiscal responsibility and supports future farm programs that contribute to a reduction of overall Federal spending to get interest rates down and generate more export trade.

The present Farm Bureau policy supports a farm program which will: (1) Maximize long-term opportunities for profits in agriculture; (2) reduce incentives for overproduction at home and abroad; (3) ensure competitiveness for U.S. farm products in the marketplace; (4) reduce stocks through production adjustments and/or expanded demand; (5) assure consumers of adequate supplies of efficiently produced products; (6) reduce supplies when the commodity carryover affects the ability to market at a profit; (7) include the concept of loan levels and target prices; (8) provide loan levels for major export commodities to provide more price competitiveness and orderly marketing. The loan levels should be based on a formula using the average prices received by producers for each commodity. Loan levels would then be set at a level that would not provide incentives for production that exceeds demand in domestic and world markets and adjustments would be made annually; (9) recognize that all commodities are interrelated and any changes in supply, demand, or price of one affects the other. The economic impact of a major change in one commodity's policy on the other commodities should be considered before such policy is approved; (10) develop markets for agricultural commodities by expanding the demand in domestic and international markets. The domestic market can be expanded through product development and improved consumer acceptance. International markets can become permanent with USDA assistance in developing markets for raw and value-added products and an expansion of export credit. We promote free and fair trade; if export subsidies are provided by other countries, consideration should be given to provide authority for the USDA to use the same practices in a retaliatory manner; (11) provide incentives for conservation; and (12) provide a sound agricultural credit policy.

These policy directions will give a strong foundation to the development of the 1985 Agriculture and Food Act.

The necessity of the price support loan for all major export commodities set at market clearing levels cannot be overemphasized. Since the domestic market is relatively slowgrowing, we must continue to look to the world market as our opportunity for future expansion. The proposal for a flexible farm program that permits the loan rate to adjust when market conditions warrant is extremely

important. Never again must we put ourselves in a position where loan levels afford other countries the luxury of the U.S. agriculture underwriting their expensive farm programs. Adjusting loan levels annually based on prices received by producers will put more uncertainty in the support and stock policies of foreign competitors. Cotton and soybeans have worked relatively successfully since 1981 under this structure; and we suggest this concept be extended to include wheat, feed grains, and rice.

In the 1981 farm program producers were afforded the concept of target prices. Target prices are a part of your do right provision, Senator Cochran. If all the tools provided in farm legislation are utilized by USDA and other Government agencies, deficiency payments should never have to be made; but, when USDA and the Government agencies do not exercise all of the authority provided them in farm legislation and prices fail to reach an acceptable level, then deficiency payments are made to producers. The level of target prices will be guided more by the Congress' perception of how much the taxpayers are willing to support such programs. Target prices are designed to maintain stability when there is a stock buildup and production controls are necessary. This reduces the risk to farmers and has little impact on supply and demand.

The provision that has handcuffed USDA most in making the 1981 Agriculture and Food Act work is its inability to get acreage reduction when a reduction program was announced. The primary reason acreage was not reduced is the $50,000 limitation on payments. To ask a farmer to lay out acreage and go to the expense of planting a crop for conservation purposes on a portion of his acreage and not being able to receive remuneration for the fixed cost of land, machinery, labor, et cetera, has been determined by many producers to be unacceptable. For acreage reduction programs to work in 1986, this inequity must be corrected by removing any limitation on payments.

Cotton, soybean, and rice producers have had the foresight to insist that no farmer-held reserve be established for their commodities. Agriculture would be much better off today if wheat and corn had never had a farmer-held reserve. It is not too late to alter the direction of policy. The phasing out, in an orderly manner, of the farmer-held reserve is necessary to return agriculture to market-oriented economy. As long as millions of bushels of grain are stockpiled and can be released when the market begins to respond favorably, producers will not realize their profit potential. Even livestock producers have seen themselves adversely effected by the farmer-held reserve and its interference with the distribution of feed grains through the market system.

It is important to remember that roughly half of U.S. agriculture operates without a direct farm price support program. There is no question that changes in a grain program effect the livestock sector and changes in dairy program effect both the feed sector and the livestock sector. Implementation of long-term acreage adjustment programs or PIK programs will even impact much of the so-called specialty crop sector as land traditionally used for annual crops is converted into perennial crop production.

Future dairy legislation must take into consideration past legislation that created an unacceptable oversupply of dairy CCC stocks.

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We believe the industry must produce for the marketplace, not for the Government; therefore, trigger levels on CCC purchases must be placed into the program to prevent the industry from getting back into an oversupply position again. We commend you on your support for the National Dairy Promotion Program because we believe this will assist in reducing the oversupply problem.

Conservation practices today insure the ability to produce in the future. Incentives should be implemented to encourage acreage diversion for soil conservation uses. Incentives in lieu of requirements should be initiated to encourage fragile lands be placed in conservation programs that would include reforestation as a conservation practice. Forestry in Mississippi is a major income-producing source and reforestation is not occurring as fast as timber is being cut. We support reforestation incentives as a provision for conservation practices.

Agriculture credit is a nonmarket issue to be dealt with in the 1985 farm bill. Easy access to credit through the Farmers Home Administration interferes with the ability of a farmer to produce and sell at a profit because of the artificial stimulus of increased land values and rents.

Farm Bureau policy states, "We desire that the Farmers Home Administration return to its original purpose of helping farmers who cannot qualify for other financing."

Mr. Chairman, Farm Bureau members recognize the challenge you have in the development of the 1985 farm bill. We pledge our cooperation to you, and will be pleased to respond to any questions you might have at the proper time.

Senator COCHRAN. Thank you very much, J.L. Slay, for your excellent statement. We appreciate the Farm Bureau being represented here at this initial hearing in our series of hearings around the State. We commend you for the excellent work that you're doing, and for helping in this very constructive way with our hearing process.

I'd like to ask Stan Herren now to proceed with his presentation to the committee. Thank you for being here.

## STATEMENT OF STANLEY A. HERREN, VICE PRESIDENT, DEPOSIT GUARANTY NATIONAL BANK, JACKSON, MS

Mr. HERREN. Senator Cochran, staff members, Deposit Guaranty appreciates the fact that we were asked to participate in this hearing. We have delivered to David a rather lengthy statement, and I will ask at this time that I be allowed to digress from the formal statement and just to comment, because of the time factor that we've got involved, skipping over much of the content and getting to some basic issues.

Senator COCHRAN. We appreciate that very much, Stan. We'll make the entire statement a part of the record.[1]

Thank you.

Mr. HERREN. That is my understanding. Please let us express that Deposit Guaranty has played a large role in the economic growth and development of our State for a number of years, and

[1] See p. 115 for the prepared statement of Mr. Herren.

you're very well aware of that. We also know that you are aware of the structural changes that have taken place in this State and in our Nation over your lifetime. I would use as an example a farm that I'm very familiar with, our own personal family farm, a few miles from your grandmother's home. I can well remember 40 years ago when 11 families survived on that farm. Today one does. Ten years from now, I hope that one family still survives, but I don't know what acreage base it will operate from.

As a finanical institution, we are very concerned about the structural changes that are occurring in American agriculture, that have already occurred, and that will continue to occur in the industry that we talk about today. Politically and socially, it is a very touchy topic; but it's one that affects the lives of many, many people, and it affects the general economy of our Nation. So, let's address the subject and try to see what we can do to control the structural changes that are probably inevitable in our industry.

The structural changes have significantly impacted many communities that we are a vital part of at Deposit Guaranty, Inverness, Louise, Benton, Yazoo City, Greenwood, and Greenville, many of the smaller towns that are very much ag related. We feel like, if you look at where we are with regard to the credit problems that exist in agriculture today, that it is to a large measure a result of fiscal and monetary policy over the last 15 years. It appears to us that there is a pinup group of inefficient farmers that have been allowed to survive during the last decade and a half because of artificially low interest rates and inflation that allows their assets to continue to increase in value. There was no real retained earnings at the farm level, and there was no appreciation for what a highly leveraged position would do. We must recognize that today many farmers are leveraged beyond the 70 percent level; and, when you really get down to it, they're actually—their operation is owned by the people supplying the credit, not by that individual who signed his name to the note, because he has not put the money into it. One of the things that we feel must come out of this restructuring is a much stronger set of credit restrictions and loan agreements between whomever the source of credit is and the borrower. These restrictions would include such things as mandatory compliance to whatever Government program is involved in the 1985 farm bill, Federal Crop Insurance to cover for disasters that are going to occur, removing the Farmers Home Administration from disaster lending program, covering that with Federal Crop Insurance.

We do feel that we have to establish responsible fiscal policy and monetary policy, for we still feel that these are the roots of the problems that exist in American agriculture today. The winners of the 1970's who felt like it was to their best interest to own assets and hold debt are now the losers of the 1980's in agriculture. I think a strong case can be made that this irresponsible fiscal policy is the root of the credit problems that exist in American agriculture today.

When we look at what we would propose as we go into the structural changes that are going to occur, we would like to recommend that at the Farmers Home Administration county level as now structured, three prominent agricultural producers be still included on the committee; but that a local banker, a local farm credit rep-

resentative, and one other outside person who is very qualified in working with credit decisions be included at the local county level in making decisions with regard to agricultural credit and the restructuring that must occur in our country. This group of individuals would allow much of a workout type or a restructuring of these credits at the local level, and remove that decisionmaking authority from the political arena.

Beyond that, we feel like the 1981 farm bill has in place many, many very good points that allow for prices that are reflective of world markets and that allow for a support level through loans that does allow the efficient, successful farmer to continue in operation. We must always remember, Senator, that there are those farmers who still exist who are profitable, who pay income taxes each year, and that are not going to be out of business in the next 3 years. They are worthy of consideration in the 1985 farm bill also.

Deposit Guaranty, as a lender to agricultural borrowers, recognizes the impact that the restructuring process is going to have. There must be a writedown of asset values in some cases. There will have to be a restructuring of farm liabilities in many cases; and, in some cases, there will be farmers that will go out of existence. It will require a coordinated effort between the governmental and the private sector sources. We would encourage, where at all possible, that more guaranteed programs be put in place where private sector funds were used. In trying to help with budget deficit problems, we feel like a reformulation of the guaranty program, whereby, as I understand it now, a full funding for budget purposes is required for the guaranteed portion of an ag credit, we think that that needs to be reanalyzed, for we would hope that private sector guaranteed loans would never have to be fully funded in the case of losses.

Deposit Guaranty feels that the agricultural economy will continue to be a very significant part of our loan portfolio, that we will invest a significant part of our resources into this area. We pledge our support to working with USDA and with you and Congress in trying to effectuate in such a manner as to be the least damaging to the structure of agriculture as we know it during the next 5 years.

Senator COCHRAN. Thank you very much for the statement and your presentation to the committee. I know that Deposit Guaranty has been one of the few large banks in the region that have continued to be involved in lending to producers. I know you probably are aware that last week, when we had before the Senate the agricultural appropriations bill, there was a provision included in that bill for a much-expanded guaranteed loan program. We had heard, and I specifically had heard, from a lot of bankers around the country who said that bank examiners were reexamining loans in view of decreasing loan values and identifying some as bad loans that previously had been considered sound. This activity was increasing the pressure to call in some of those loans or at least reexamine and reschedule loan portfolios and it was difficult for a lot of farmers to figure out how they were going to stay in business.

I wonder whether or not that is occurring in Mississippi? It seemed to me that a lot of that pressure was up in the Midwest area. What is your assessment of that situation? Are you seeing, in your bank, things like that happen?

Mr. HERREN. Senator Cochran, at the roundtable discussion at Starkville last week, Mr. Downey with the Comptroller of the Currency was there and was very, very supportive of proposals and discussions that were there. It is my understanding, as a national bank, we have actually seen correspondence from him to the field with regard to how the examiners should recognize the problems that exist in agricultural credit and take a—I don't want to say a lax approach, because they are charged with the responsibility whereby they cannot; and, you know, you well recognize the importance of sound financial institutions to this State and to this Nation. So, we cannot allow poor credit quality and nonperforming loans to degenerate the structure of American banking and American financial institutions. The examiners that we have worked with have been very well aware of the problems in agriculture and have allowed us the freedom to work with those individuals on an individual basis to try to shore up security, to try to work out the problems in the best manner possible. We have not seen any action by the examiners to force the bank to do things that were not in the best interest of the bank, and hopefully that did not hurt the farmer to a great extent.

Senator COCHRAN. I appreciate that very much. Again, let me thank you and J.L. Slay for being here and helping with the hearing. We have other witnesses who will be heard in dealing with some of the specific issues that are going to be addressed in this next farm bill. You've given us a good overview of agricultural interests as far as the Farm Bureau and lending institutions are concerned; and we appreciate having that perspective as we begin this series of hearings.

We'll take about a 15-minute break, and resume the hearing at 10:25. Thank you.

AFTER RECESS

Senator COCHRAN. If the subcommittee would come to order, we will proceed with our hearing.

I'm very happy to welcome our third panel to the hearing. It includes Tom Parry, president of Mississippi Chemical Corp. at Yazoo City, MS and Elmo Collum, marketing manager for crop operations at MFC Services at Madison, MS. If both of you will come forward to the witness table we will begin. We have copies of the prepared statements, which we want to thank you for, and we will make these statements a part of the record in full and invite you to make whatever summary comments you would like to make. Tom, we'll ask you to proceed.

## STATEMENT OF TOM PARRY, PRESIDENT, MISSISSIPPI CHEMICAL CORP., YAZOO CITY, MS

Mr. PARRY. Senator. It's a pleasure to be here and to have the opportunity to provide input into the congressional decision-

making process. We appreciate your service on the Senate Agriculture Committee; and I commend you for holding these hearings.

For the record, my name is Tom Parry. I am president of Mississippi Chemical with headquarters in Yazoo City, MS. Mississippi Chemical is a farmer-owned fertilizer manufacturing cooperative. We have approximately 20,000 farmer-stockholder members who are located in 10 States in the South. Our sales exceed 2 million tons of fertilizer products annually.

I'd kind of like to start off by repeating three numbers: 5.6 billion, 14.9 billion, and 25.3 billion. In case you're wondering what these numbers are, they represent outlays for the agricultural function of the U.S. budget in 1981, 1982, and 1983. The 1983 figure may be even higher, depending on whether or not the cost of "In-Kind Commodities" is included. That's a big spending increase of over 350 percent since 1981. It's a big chunk of money.

I want to commend the Congress for its realization of the importance of agriculture to our economy as is evidenced by their approval of these outlays of public funds. And yet, there is something terribly wrong with our farm programs that build bigger carryover stocks while our international competitors take larger and larger shares of the world's market.

There's something terribly wrong with a farm program that, in spite of these tremendous outlays of public funds, not only results in a loss of our share of world markets, but also results in our farmers not sharing in the Nation's economic recovery from the recession in recent years. We've all been reading about the large number of farmers going out of business; and I understand that many more will face bankruptcies and liquidations before the overall farm situation improves. It was reported recently that the Farmers Home Administration alone has repossessed at least 400,000 acres of land worth hundreds of millions of dollars. Prior to 1981, the FmHA never held more than 260 farms in inventory compared to the 2,200 farms that it has and is attempting to manage at the present time. So, I say there's something wrong with these programs; and I realize that one good year will not offset the stress on the farm economy that has accumulated during the past few years.

Senator, in your letter requesting input on the 1985 farm bill, you said you seek testimony on three questions. Let me comment on your first question, "What should be the objectives of the 1985 farm bill?" It seems to me that the No. 1 objective should be to develop a long-term, consistent agricultural policy that offers stability and profitability. Considering the multiple millions of people who are starving around the world, the objective should, also, include maximum production of farm products at the lowest possible unit cost. Such a policy would not only benefit the farmer but our total economy. Present politics are constrained by both lack of constant demand and fluctuating production which leads to surpluses. I think the overriding theme of the new farm bill should be the recognition of the total agriculture market, the preservation of that market, and the expansion of that market both foreign and domestically.

If the United States is the largest and one of the most efficient producers of food and fiber, and I think we are, I believe that our programs should be directed at continued production efficiencies so

that our competitive position in the world can be further enhanced. If we take the initiative and make it clear that we will act decisively, we cannot only get a larger piece of the pie, but we can help make the pie bigger. We should strive toward maximum production consistent with the lowest possible unit cost.

Your second question was, "What changes should be made to current programs to accomplish these objectives?" I would begin by saying that the most important change that the Federal Government could make to benefit agriculture is not an improved farm bill in 1985, but a balanced budget, reduced Federal deficits, and lower interest rates. These economic challenges should be part of any discussion of farm policy and indeed any Government policy discussion.

As to the 1985 farm bill itself, I feel that the greatest emphasis should be placed on market development, because American agriculture is very much a part of and affected by the total world market. Unfortunately, the world market for agricultural commodities is not a free market.

Because there is no free market in the real world today, no free market in the European Economic Community, no free market in dealing with nonmarket economies and no truly free market in this country, we need to drop a few lines from our rhetoric of the past. We need to stop talking about 100 percent parity. We need to stop talking about "getting Government out of agriculture." That's not going to happen. Our programs are going to have to deal with agriculture as it is in the 1980's, not as it was in the 1930's. The 1985 farm bill needs to be different. It needs to be innovative. It needs to be business-like, showing a return on the tax dollars that are spent; and, to do all of this, it must speak to the total worldwide picture.

Specifically, all programs should be based on long-term goals and be announced in a timely manner to allow the agricultural community to plan for, rather than react to, farm programs. I refer, of course, to the recent PIK program. PIK had a brutal impact on our business and on all agricultural suppliers. It resulted in the highest number of plant closings and employee layoffs in our history since the Great Depression.

Production controls to avoid surpluses must be based on long-term goals. Acreage reduction programs, when needed, must be carried out in a more business-like, cost-effective, and less disruptive way. The concept of a permanent base acreage by farm, by crop, deserves consideration and study. This information or inventory could serve as a basis from which agricultural production could be better forecast, planned for and controlled with a lower Federal budget exposure. Finally, I believe that acreage reduction and production control programs can be kept to a minimum if effective, modern, worldwide marketing efforts are put in place. I'll be more specific about these in a second.

In our other domestic programs, our loan and reserve program should be continued but with greater emphasis being placed on utilizing these tools as the marketing programs they were intended for originally. Target prices, if continued, should be adjusted anually and be more closely related to the variable cost of production, calculated to encourage the use of the most efficient production

techniques. In administering these, the Department of Agriculture should have greater flexibility to act on the behalf of agriculture, with less influence from outside interest groups with other axes to grind. We desperately need improvements in the crop insurance programs, which will, in the long run, save taxpayers by minimizing disaster assistance. Agricultural research should continue to be a part of any farm program. Research which increases productivity and lowers production costs has always paid its own way by reducing the ultimate cost to the consumer. American agriculture must continue to lead the world in total production, in efficiency, and in innovation, if Americans hope to continue to enjoy the most abundant and best diet at the lowest cost of any nation in the world. Likewise, conservation must be a part of the 1985 farm bill. We must protect our land, the most valuable asset in agriculture.

Agricultural credit must be a high priority of the new farm bill. I applaud the recommendation that a blue ribbon task force be named to study farm credit and urge that it be given the same high priority as the task force on Social Security. We need to increase the availability of credit from the farm credit system and the private sector, and reduce the dependence of our farmers on the Farmers Home Administration, the lender of last resort. We must ensure that credit is amply available so that farmers are not short-budgeted—that is, so severely limited on operating funds that they can't afford the production inputs they need to operate efficiently. Lenders should either provide producers with enough funds to do the job right so there's at least a chance of profit, or they should lend nothing at all.

The most pressing issue, however, is our need to enhance our ability to market farm commodities around the world. We need first to identify and establish a data base on which to set long-term-marketing strategy. I strongly endorse the creation of a National Commission on Agricultural Trade and Export Policy, and I commend you, Senator, for being one of the sponsors of this legislation. We must take the current patchwork of Federal agricultural export programs and meld them into a clear, cohesive package that builds toward long-term goals. That package should utilize all our current tools, such as GSM–102 credit and Public Law 480 Food for Peace. There should be a substantial expansion of the Public Law 480 program. It must remove the economic obstacles to export that we ourselves have imposed, such as cargo preference requirements. It must be a package that shows our dependability as a supplier with contract sanctity provisions. It must show our willingness as a trader with long-term, bilateral trade agreements. It should be made clear to all agencies of the Government that our agricultural export policy is in the long-term best interest of the Nation, and that food is not a political football to be kicked around for short-term political purposes. Our export package should also promote the upgrading of our agricultural goods into value-added and finished consumer goods to utilize one of the greatest resources to add jobs here in America. Why should we sell our grain to be fed to cattle overseas and then have them brought back as beef and pork?

Finally, we may find it necessary to expand foreign and domestic markets by providing incentive bonuses to traditional customers from Government-owned surpluses. This could immediately help to

buy down the current export-limiting effects of our strong dollar. In doing this, however, we must assure that we do not punish American consumers or the American trader or the American producer of finished goods.

I recognize that these programs have a cost; but, spending to enhance our export position will create a favorable return to the American farmer and to the Federal Treasury.

Thank you for the opportunity to make these comments; and we commend you and your committee for the work you're doing.

Senator COCHRAN. Thank you, Tom Parry. You've made an excellent presentation to our committee; and I appreciate very much your provocative comments and your helpful suggestions that you've made to the committee. I think, rather than proceeding to any questions, at this point we will go ahead and take testimony from our second witness on this panel, Elmo Collum. Elmo is here representing one of the major co-ops in our State, MFC Services, which is engaged in a wide range of activities in Mississippi, and is one of our State's outstanding economic assets. Elmo, please proceed. We have your full statement, and we'll make it a part of the record.[1]

## STATEMENT OF ELMO COLLUM, MARKETING MANAGER, MFC SERVICES, ON BEHALF OF J.L. HARPOLE, PRESIDENT

Mr. COLLUM. Thank you, Senator Cochran. For the record, my name is Elmo Collum. I'm marketing manager for crops operation, MFC Services. On behalf of Mr. Harpole, president of MFC Services, I want to thank you for the opportunity to present testimony on the 1985 farm bill. MFC Services and its farmer/members deeply appreciate your interest in agriculture and commend you for initiating this important exchange of information. We believe that such exchanges are essential to develop an effective and meaningful farm bill in 1985.

MFC is a farmer-owned cooperative with 102 local member stores in Mississippi, Louisiana, and parts of western Alabama. We provide our farmer/members with crop production inputs, farm supplies and equipment, animal feeds, animal health products, hardware, and dry goods. Our mission is to promote the competitiveness and general quality of life of the individual producer. Since MFC exists to meet its farmers needs, we speak from this viewpoint.

In agriculture today, we are faced with stiff foreign competition which is often subsidized, a strong dollar, and record levels of production. International credit problems complicate the situation. The result is reduced demand, increased supply, leading to accumulated stocks of commodities and low prices. That means low farmer income, yet the farmer must also deal with rising operating costs and high interest rates. If not checked, this crisis situation in agriculture could undermine the economic stability of the entire country.

As stated before, Senator, in your opening comments, U.S. agriculture accounts for 20 percent of the gross national product, over

[1] See p. 122 for the prepared statement of Mr. Collum.

one-fourth of U.S. employment, or 24 million jobs, and 20 percent of the U.S. foreign exchange.

We believe a strong agriculture makes a strong America. With the problems that are existing in the agricultural sector today, the 1985 farm bill is all the more important.

In your letter to us, we tried to approach the farm bill on two major areas and then some minor provisions. First, we would like to see the farm bill establish and protect stable farm income and prices. Throughout the rest of the 1980's, farmers will continue to be vulnerable to market instability. This is compounded by our increasing reliance on exports. The PIK Program provided a short-term benefit to our farmers, but it hurt suppliers like MFC and Mississippi Chemical. If we continue to depend on production control programs, there may possibly be a major reintrenchment of the agricultural sector. The farmer wants to succeed in the marketplace, and the new farm bill should allow him to do so independently.

Second, consistency in the agricultural policy which allows us to effectively compete in the international marketplace. The farm bill of 1985 must recognize that U.S. agriculture's long-term health depends on the ability to compete in international markets. We need export marketing tools, such as contract sanctity. We also need the ability to offer competitive credit or export PIK Program. I'd like to give you an example of this at this point, Senator. Just recently, Australia offered 100,000 tons of wheat to Ecuador on a 2-year credit program. Also, another example that is brought forth is Australia's sale to India of 1½ million metric tons of wheat using combined short-term credit, offering up to 50,000 tons of wheat as a bonus. These are the types of examples that MFC feels need to be implemented into our farm bill.

We believe the 1985 farm bill should also include provisions for continued emphasis on agriculture research and education and involvement from all agricultural segments in policy formulations, such as projecting the impact of the PIK Programs on input suppliers and machinery dealers, not just the producer. We also feel that selective credit for viable producers should be approached.

In closing, Senator, we at MFC thank you for allowing us to participate in this hearing. Those of us in the agricultural sector appreciate your concern and leadership in helping develop a meaningful farm bill.

Senator COCHRAN. Thank you very much, Elmo, for your good statement and for giving us a broader perspective. When we approach the writing of this farm bill, I think more than ever before, there will be a recognition of all of the interests that are involved, not just farmer interests, or consumer interests, but also those who are involved in supplying inputs to farmers, such as you represent here today; and there are organizations around the country, I think, who are going to be involved in a more active way in the process than ever before. It's going to be a tough challenge, but I think we just have to gear for it. It's an important undertaking; and, because of the size of agriculture as an industry and those who are affected by it, it may be one of the most, if not the most, important economic event that occurs next year in our country; and I think the more we can emphasize that in Congress, the

better quality decision we're going to get out of the Congress. I think when they really buckle down to the challenge that we face in coming up with a farm bill this next year, it's going to improve the work product. That's my hope. That's one reason why we want to begin now in trying to develop an information base and a list of alternatives that have to be considered as we approach the deadline for expiration of the current bill. I want to thank you both for being here and participating in the hearing.

Our final panel this morning is representatives of the Mississippi livestock industry. Poultry industry is represented by H.F. McCarty, Mac McCarty. If you'll come forward as I introduce you. Mac is the owner of McCarty Farms in Simpson County at Magee. The swine industry is represented by Dr. Kenneth Ferrell, a producer in West Point who has been, maybe still is, president of the Mississippi Pork Producers Association. The dairy industry is represented ably today by Buckey Jones, a dairy farmer in Smithdale, MS. We are very happy to have each of you with us today to give us your thoughts about what the next farm bill should consider. We have statements, which we thank you for, and we will ask Mac McCarty to lead off.

## STATEMENT OF H.F. McCARTY, REPRESENTING MISSISSIPPI POULTRY ASSOCIATION

Mr. McCARTY. Senator and members of the staff, I represent the Mississippi Poultry Association and Mississippi, speaking for my son, who is the president of that—chairman of the board of that association, and speaking for the association in his behalf today, since he's out of the State. As the Senator has already indicated, copies of our Mississippi Poultry Association views have been submitted, and I will attempt to summarize them by briefly analyzing the content of that statement.

The position of the Mississippi Poultry Association includes the following points: One, the 1985 farm bill should represent a significant movement toward aligning current commodity programs with market realities. Two, the price supports should not be set above market clearing levels. Three, it's most important for our domestic farm programs to reflect the realities of a world economy. Four, the 1985 farm bill should recognize and separate Government price supports for commodities and Government income support for producers. Five, future farm support programs should not only be less costly, but more flexible to encourage producers to adjust to changing market conditions. Six, in the case of farmer-owned grain reserves, a cap should be applied to limit the entry of eligible commodities. Release prices should be more realistic and sufficiently staggered to assure that supplies will be available to the market when needed. Seven, two-tier price systems for commodities that result in export prices being lower than domestic prices are basically unfair to U.S. consumers and domestic users of agricultural commodities, and should not be a part of the 1985 farm bill. Eight, a special effort should be made to avoid any action on behalf of a Government-supported commodity that could prove harmful to nonsupported commodities. Nine, the poultry industry has recently been confronted with a highly pathogenic disease known as avian

influenza. U.S. Department of Agriculture has spent approximately $60 million of taxpayers' money on indemnities and task force personnel in the States of Pennsylvania, New Jersey, Maryland, and Virginia. This figure of $60 million does not include the losses which were sustained by producers in missing market. There is a vital need for construction of a containment research building at an estimated cost of $1 to $1½ million, whereby extended research can be conducted to eradicate this virus. What occurred in this outbreak occurred in the State of Pennsylvania, a relatively small poultry State. There was a slight—a small outbreak in the State of Maryland, but is was quickly contained; but, if it should get into the Southeast to Georgia, Alabama, Mississippi, and Arkansas, it could be, not $60 million in indemnity payments, but, $250 to $500 million. We're saying that consideration should be given to constructing a containment building where research is done to eradicate the virus. This is practical and it can be done. Ten, finally, it should be recognized that a sound and balanced economic program, including reduced Federal deficits, lower interest rates, and a continued low rate of inflation would have a more positive impact on all agricultural producers than any farm program that can be devised by Government.

Mr. Chairman, we appreciate this opportunity to participate in this field hearing, and to present Mississippi Poultry Association's 1985 farm bill positions to you.

Senator COCHRAN. Thank you very much, Mac McCarty, for the excellent statement and presentation. We'll now hear from Dr. Kenneth Ferrell from West Point.

### STATEMENT OF DR. KENNETH FERRELL, PRESIDENT, MISSISSIPPI PORK PRODUCERS ASSOCIATION, WEST POINT, MS

Dr. FERRELL. Senator, thank you for inviting me, and thank you for your concern about the swine industry and farmers in general. I was not quite prepared nor did I really know what a testimonial was when I received your letter; and I was kind of reminded of the folks back home, a man that testified before the church and bared his heart and told how the Lord had taken over his soul and how the Lord had taken care of him. Well, when I came, I wasn't sure that I wanted to bare my soul to you nor have the Government take over my soul nor take care of me. So, if I'm informal and if I talk informally, it's because I am a producer. I am a farmer from West Point, MS, and I grew up on a small row-crop farm in the delta. As a matter of fact, I come from Belzoni. After graduation from high school, I went on to Mississippi State University and I received my B.S. and my M.S. From there I traveled to Kansas State, where I received my Ph.D. All my degrees are in agriculture. Now, since graduation from Kansas State, my wife and I have been farming in Clay County; and currently we operate a 400-sow farrow to finish operation and farm approximately 1,500 acres of land. We grow soybeans, wheat, and milo. We have in the past has a 40-cow and calf herd. We've also has a 60-head ewe herd.

With all of this diversification—and by the way, this was preached to us years ago, that, if we diversified, we would sur-

vive—I would like to say that I'm not a millionaire now, but I'm really broke.

Now, I do think that this qualifies me to consider myself a full-time farmer. Now, our farm is a family farm. Both my wife and I work full-time on this farm, and we hire only a minimum of outside labor; and I was honored to be asked to be here today; and so, I visited with—you know, we visit with fellow farmers and we sit around and talk; and, even though I'm addressing the swine, I think there are areas that we need to address that affect all of us farmers.

I think the one thing that concerns all of us, and we talk about the inefficient farmer, and we—some of us as farmers in our community know that what concerns us today is that the efficient, well-managed farmer and operations are also not making a profit in farming any more. I have served on task forces in the National Pork Producers Council, and I've visited with farmers, and there are no boundaries. I've visited with farmers all over, and there are variations of the problem, but they are still in the same situation. There is no profit in farming. It seems to me that, as I talk to farmers, the farmers who were in business prior to the 1970's are able to hang in there; but the younger farmers are the ones who are having a hard time and going out of business; and we don't know exactly why, but are, indeed, these poor managers, or is it simply because of the economics in general. And as I look back through my farming years, I know that these years have been problem years for me. No matter what I have done, how much I produced, what I sold, what level I've achieved, how hard I've worked, and what labor I've eliminated or what equipment I haven't bought, I still can't work out of the problem. I sometimes myself feel like the dog chasing his own tail.

During this time period, you know, there's been a tremendous amount of short-term Government programs designed to bail farmers out. You know, I believe that these are short-term programs with little thought and no answers; and, in some instances, they've done more damage to the farm economy than they've helped. I think that it just seems to be random luck that some of these programs have worked. In writing the 1985 farm bill, I hope that we will, indeed, look for long-term answers and not just short-term bailouts.

As we talk about not producing, and that seems a little ridiculous to me, because we are experts in producing. We've also spent millions of dollars abroad teaching other nations our expertise in production; and I think that each time we make the decision not to produce, another country is sitting around just waiting for the opportunity to step in. Examples of that are in my own business, in the swine industry. American pork producers have cut back their production by 15 percent, yet Canadian imports are coming in fast and furiously. Our price today is down because of imports. So, we have to address the export-import problem.

PIK to me was a short-term program in my industry. The dairy legislation was a program and a short-term program in our industry.

I think the second point we need to address is our large Government deficiency spending policy. I believe that this is having a tre-

mendous effect on farming. It produces high interest rates, and it does limit our ability to borrow money; and I don't think the problem in farming is going to get any better until we are within a reasonable budget. I don't think the Government is any different from us or any other household; and you can't consistently keep spending more than we have and expect anything other than a disaster. The American people are capable of keeping their feet to the fire, but only if the parent, I think, sets the priorities. Throughout the history of our country, Americans have done what had to be done, even though it was not pleasant; and I really don't think that we will not, indeed, rally again to do what is necessary.

I also think that we, as farmers, have got to unite for a cause, and that cause is American agriculture. Sometimes I see us in-house fighting more or less, and I don't think that it matters what type of farmer we are, that we are farmers, and we have to stop pitting the corn farmer against the dairy farmer, the poultry farmer against the swine farmer, and so forth on down the line. We have to join together for our common cause, or we're into a no-win situation. We have to look at our particular legislation as it affects one commodity group as to what effect it's going to have on the next commodity group and what damage it will or will not do.

The American consumer—I think, is the other problem that we have to address—has gotten used to a cheap food policy; but they need to be aware that the farmer is no different from any other sector of the economy. We must realize a profit in order to produce food for the consumer, whether it be cheap or otherwise. We have got to receive adequate returns for our investments and our labor. I think that this problem has caused a deterioration in the family farms. I think that farmers beget farmers. I think this is no longer true. I see more and more migration of the young people away from the farms; and, if this continues, I believe that we are in for a problem. I think it's kind of like the song for your sons to grow up to be doctors and lawyers and such, and not cowboys; and, as I reflect on my input into the 1985 farm bill, I think the only thing that keeps coming to my mind as I look over it again is that this farm bill may well be the turning point for so many family farms. It truly has to be thought out, torn apart, sifted through, put back together, and done again, in order to benefit the largest number of farmers.

It is true that we as farmers need immediate relief now, that we are financial trouble. However, I don't think that we need to get involved in so many short-term programs, but to look at the long-term situation.

Senator, I do appreciate it, and I hope that with my rambling as a farmer, that I did get some of my points across. Thank you.

Senator COCHRAN. Thank you very much, Kenneth. You surely did, and you did on exellent job of it, too. Buckey Jones is our dairyman representative. Buckey, welcome to the hearing.

## STATEMENT OF BUCKEY M. JONES, PRESIDENT, MISSISSIPPI DAIRY ASSOCIATION

Mr. JONES. Thank you, Senator. It's an honor for me to be here today and be a part of this distinguished group of people. As a

dairy farmer, we don't get that far away from home at times, but it is indeed an honor for me to be here.

I am Buckey Jones from Amite County, MS. I'm president of the American Dairy Association of Mississippi, president of the Mississippi Dairy Association, and serve on the corporate board of Dairymen, Inc. I milk approximately 200 head of cattle, and we are participants in the dairy diversion program that we have heard talked about here this morning to some extent.

It is an honor for me to be here, but we have problems within our industry and we have problems within the ag industry as a whole that I'd like to just state just—because you do have the statement there, I would like to skip over that basically, and get down to what I feel is an overall situation that we need to address.[1]

You've heard here this morning different commodity groups pointing fingers at other commodity groups, different industries, supportive industries of agriculture, standing on what's good for their industry; and basically we haven't had anybody say what's good for the overall industry. I tell you, Senator, I would just like to throw my statements out and tell you what I feel.

I feel like that our industry, the industry of agriculture, has certainly drawn the criticism of many, which has been unfounded. My industry, the dairy industry, for instance, if you read the papers, you'd say that the Government is paying dairy farmers not to produce milk. At this point in time, dairy farmers, through their 50-cent assessment, have paid twice as much into that program than has been paid out and received by dairy farmers. This is just an instance, that you cannot expect fairness and equality and equity for the dairy industry or for the ag industry as a whole.

What is our industry? Are we failures? We've heard people talk about credit problems. We've heard people talk about programs that had to help farmers. Are we failures as farmers? Let me tell you this. The ag industry, since World War II, has increased their productivity over three times as fast as the non-ag industry. If, for instance, Government had been as efficient as farmers have been for the last 30 years, we could cut out probably $400 million to $500 million in salaries alone because of efficiency. Are we to just sit back and take it on the chin forever that we are failures as producers? No, we're caught up in what I consider a no-win situation where we're having struggles within our industry trying to find our "nots." What are we? Are we part of labor or are we part of management? I do believe that ag industry is a very basic industry, and, if you ate this morning or yesterday, maybe we should think about this once in a while, that food and fiber and clothing is essential; and we as producers are essential in this country; and somewhere we've got to find a happy medium whereby producers can and will make some profit, because profit is not a dirty word. It's essential to an industry, regardless of what industry it is.

Sure, there are credit problems within our industry. Why? Because of a lack of profit. Why is there a lack of profit? I can tell you this. I have increased my productivity per cow over twice in

[1] See p. 126 for the prepared statement of Mr. Jones.

the last 15 years. Does that sound like inefficiency? This pork producer sitting beside me probably did the same thing. Is that inefficiency? No, sir. We're caught up in the whole situation whereby agriculture has been sucking on that proverbial "hind tit" for too long, far too long. We're not demanding a lot. No, sir. Dairy farmers, in general, are quite willing to stay at home and work 7 days a week and produce; and give us just something to live on. We're not asking for fame and fortune. All we're asking for is a chance to continue our family farms as we have known them through the years. Now, we do realize that that will require a change. We know that, and we're willing to do it; but give us the atmosphere of equality and equity, and we can do it.

Now, as far as the dairy program is concerned, I think that I'll agree with the Farm Bureau 100 percent that we should, in fact, go with market-oriented policy. I think we've had some problems within our industry that has been alleviated to some extent at this time, because sales have been tremendous this year, up almost 6 percent. Our advertisement program that is being funded through the Dairy Adjustment Act of 1983 is just now coming on board. It will increase our sales even further. So, we do have a turn-around within the dairy industry; but the overall ag industry, in my opinion, is ailing, and I think that we should get together as producers, as finance people, as people who are supply, because we are all in this thing together. Let's quit pitting one commodity, one group, one industry group against the other. Let's get something done for agriculture as a whole. I do believe that agriculture is a vital industry, and I think it certainly deserves the trust and admiration of those who have sometimes in the past kicked us around, because we are essential; and I ask you what are the essentials of life?

My family thinks three TV's are essential and three cars and three credit cards to go with those cars, but we can do without some of those things. What are the essentials? We talk about cutting back on production. Senator, you know as well as I do that the sounds of hunger can be heard throughout the world; and here we are sitting here talking about curtailing production when I believe, if we set our priorities right, we will meet the needs of the world; and our agriculture sector can do it. All we need is a fairness within the world market to get the job done. Take the auto industry, for instance. In the last 3 or 4 years, they were so-called broke. It was terrible. The industry was gone; but, because of Government programs, tariffs, cutting down on quotas of imports, their industry is very healthy today. They're making more money than they ever have before. I urge you to just consider what agriculture could do if we had the same kind of numbers to work with that the auto industry has had to work with in the last 2 years. Now, I realize they have helped themselves by efficiency; but, my Lord, have we not helped ourselves by efficiency in the past?

What about it? Is our attitude so bad in agriculture that we cannot see hope for the future? Is it so bad that we cannot see that we can lick some of these problems? Is it so bad that we cannot see that we can, in fact, help ourselves if we'll get after it? I believe that we can. I know that we can count on your help to help us get to the point that we want to be. Are we bankrupt because of inefficiencies? No, sir. We may be bankrupt because of some of the tax

structures that we've had. We may be bankrupt because of priorities set that did not fit the needs of America's farmers.

Senator, we ask for no special place in this world. All we ask for is a little equity. Some people ask why, why do farmers just continue to produce. I'd like to present to you a picture this morning, and I can tell you why I produce. As you look at this picture, Senator, and the average outsider would look at this picture, you would probably say, "What do I see? I see poverty." Probably. "I see deprivation. I see hopelessness." Let me tell you what I see, and this story can be told of 98 percent of the farmers in this country, not just my story. This story is my story only because the picture belongs to me. The story is the same throughout the country on every family farm that you will ever visit. Let me tell you what I see. I see my grandmother there. I see the absence of a grandfather. Why? Because he's out working for the railroad shop 12 hours a day trying to hold on to that family farm that was purchased in 1916. I see the home that both of my grandparents died in. Yeah. I see the home that my two sisters and I were born in. I see my father there on the left as a 6-year-old boy. He's getting his agricultural education then. What else do I see? I see the place where my parents married and, in 1931, borrowed $75 to make a crop on their first year of marriage; and I see the place where my two sisters and I used to pick three bales of cotton every week by Saturday at noon and go swimming on Saturday evening. I see the fields where my father lost a leg in a hay baler, but we still had the family farm. Yes, and I see the place that I returned to after college to live, to rear my family, and we have four girls. They say that's dairymen's luck, girl babies and bull calves; but I see the place that I wanted to carry on the dreams of my forefathers of a farming family; and for three generations we have struggled. We've had our ups and downs, but we're still there; and I personally hope that the family farms across this Nation, like myself, will indeed have an opportunity to struggle if they may, but to succeed if they struggle enough.

Yes, sir. You say, "Quit farming. Sell the family farm. Liquidate your debts. Pay Deposit Guaranty. Whatever." Senator, you know and I know that the average family farmer across the State of Mississippi would rather have his heart torn from his chest, rather than to sell his roots. We're in it to stay. We certainly hope that we'll have the opportunity to succeed. We will promise you this, and we will promise the consumers across this State this, that we will give it our 120-percent effort to see that we are, indeed, efficient producers; but we must have some help in the fact that we cannot produce for a world market when other governments refuse to have free markets. Give us that chance, and I know you will.

I thank you for this opportunity, because we have known in the agricultural sector for a long, long time that our Senator, and before our Congressman, has always had a sympathetic ear and an understanding heart for those of us in agriculture who have the same goals, and that is to preserve our heritage in the State of Mississippi. Thank you.

Senator COCHRAN. Thank you very much, Buckey Jones. That's an eloquent statement, and I deeply appreciate your being here today and helping us understand the practical problems that a

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small family farmer faces given the economic conditions as they are and the world economic situation as it is. I think your statement illustrates why I'm interested in having these hearings in our State, to impress upon the Congress, through me, if family farms are going to survive around the country legislation and government policy must make it possible for there to be profit on the farm. I think that is a goal worth working toward. I think Kenneth said it too. There's just no profit in farming; and we've got to find a way to put profit in farming so this country can continue to have an agriculture sector that is healthy and can survive in the long run. Another statement that has come through loud and clear this morning, to put the debate of the farm bill into proper perspective, and that is, agriculture is the most essential industry in the United States. Three TV sets may not be essential, and I sympathize with you, Buckey, because my family thinks they are, too, but food is. We've got to be able to sort through the many competing interests that we know exist and establish an agriculture that provides a profit to the producing segment of the industry.

There were three questions that I had written down to help guide these hearings. We're seeking answers to these questions: What are the important problems in agriculture today? What needs to be done about them? Who can do something about them, and what needs to be done to improve the profitability of farming? That's the challenge that these hearings are trying to meet; and I hope that before we're through with our series here in Mississippi and throughout the country, and before we get to the business of making decisions on the 1985 farm bill, that we'll know the answers to these questions. If America's agriculture is going to survive and our way of life is going to survive, we've got to answer these questions.

I appreciate your being here and helping us begin the hearings and launch this series of hearings in Mississippi.

I want to thank others who have helped in the opening of the hearings. Sid Moss, as our State forester, has presented a very excellent statement, which I will include in the record.[1] We're going to keep the hearing record open 30 days so other statements that anyone wants to include in the record can be included. I want to thank David Graves, of my staff for helping to arrange these hearings. And I want to thank all of you for attending.

This hearing is now adjourned.

[Whereupon, at 11:30 a.m., the subcommittee adjourned, to reconvene August 31, 1984, in the Bost Extension Service Building, Mississippi State University, Starkville, MS.]

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[1] See p. 129 for the prepared statement of Mr. Moss.

# FARM AND FOOD PROGRAMS

FRIDAY, AUGUST 31, 1984

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
*Starkville, MS.*

The subcommittee met, pursuant to notice, in the Bost Extension Service Building, Mississippi State University, Hon. Thad Cochran (chairman of the subcommittee) presiding.

Present: Senator Cochran.

## STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. The hearing of the subcommittee will please come to order. It's a great privilege to be able to chair this hearing today at Mississippi State University to continue our series of hearings in Mississippi to get an overview from individuals engaged in farming, agribusiness, and other areas of agriculture about the provisions that ought to be included in the new farm bill that will be written in Congress next year.

As you know, the 1981 farm bill will be expiring next year; and one of the first orders of business for the Congress as it reconvenes in 1985 will be the writing of the new bill. This is a very important undertaking as far as Mississippi is concerned. Agriculture is our principal industry. It accounts for the employment, directly or indirectly, of fully one-fourth of our labor force in Mississippi. The sale from agricultural commodities alone in our State will amount to $2.9 billion this year. So, the economic impact of agriculture on Mississippi and every Mississippian is very great. Therefore, the writing of the new farm bill by our National Government is of very real importance to every Mississippian.

We began this series of hearings with a meeting in Jackson where we heard from representatives of farm organizations and the livestock industry, the poultry industry, Mississippi Cattlemen's Association, and others, with respect to their ideas about the appropriate provisions for the 1985 farm bill.

Today, we will be hearing from witnesses in the area of agricultural policy, agricultural credit, research and extension, and conservation.

At a hearing in Greenwood, scheduled for September 5, we're going to be looking at the individual commodity programs and the suggested changes, if any, that need to be made in the specific programs for each of the commodity areas: Cotton, rice, soybeans,

wheat, feed grains, and aquaculture, which has become, as you know, a very important industry in Mississippi.

This hearing is a very important part of the effort to get a broad range of input into the process of writing a new farm bill. This subcommittee, which I chair, will be drafting the bill. We're already beginning to get suggestions from national organizations; and we will continue our work throughout the balance of this year and into next year, developing a basis of information on which to make decisions regarding the new farm bill. I appreciate your being here today and helping in this effort; and, those who are going to be testifying, I deeply appreciate your cooperation and preparing statements for us. I invite you to present your verbal testimony in a summary form and read your entire statement. I have your written testimony and will make those statements a part of the record in full. This will give us an opportunity to have a dialog and to discuss some of the suggestions you may be making.

I want to thank, too, publicly the chairman of the Committee on Agriculture, Senator Jesse Helms of North Carolina who has authorized these hearings to be held under the auspices of the Senate committee. I also express appreciation to the staff and to the faculty here at Mississippi State University for being so cooperative in setting up the hearing and permitting us to use this very nice facility for the hearing. We always appreciate the hospitality that we receive here at Mississippi State University. They treat me like I am a graduate, and I really do appreciate that very, very much. It's always a pleasure to be here.

Without any further comments, I would invite our first panel to come forward to the witness table. Dr. Verner Hurt, head of the Agricultural Economics Department, Mississippi State University; and Robroy Fisher, who is chairman of the Association of Mississippi Agricultural Organizations, and he's also a farmer from Glenn Allen, MS. This panel's topic is agricultural policy. Welcome to the hearing. We appreciate your being here, and invite you to proceed in any manner you wish.

## STATEMENT OF DR. VERNER G. HURT, PROFESSOR AND HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS, MISSISSIPPI STATE UNIVERSITY

Dr. HURT. Senator Cochran, I particularly appreciate the opportunity to appear before you today to talk about some of the attributes of farm policy for your consideration and that of the committee as you prepare the 1985 farm bill. I particularly appreciate your recognition of the importance of agriculture and forestry in Mississippi and the contribution that our land-grant university makes to this important industry.

In the paper that I've submitted for the record, I've given some details about the nature of farming as it exists in our country; and I tried to point out the differences between the smaller farms and the larger farms and a need for agricultural policy to recognize the characteristics of these people that are out there.[1] The policy for

[1] See p. 130 for prepared statement of Dr. Hurt.

the smaller farmers—and I don't want to use the term, "small," with any particular connotation—but the problems of the smaller farmers are quite different from those of the larger farmers who are producing the majority of our agricultural products.

I think that a policy that will serve the commercial agricultural sector will be a different policy than that for the smaller farms who need support and policy efforts focused on those things associated with the quality of life. Any increases or changes of any reasonable magnitude in price and income supports for farm commodities will have little direct effect on the incomes or economic well-being of the smaller farmers, since they earn a majority of their income from nonfarm sources. What's important to them is opportunities for employment and off-farm sources of income.

I think that the policies that we want and need for commercial agriculture—and the rest of my comments focus primarily on this—depend on the goals that we seek for that policy. Some goals might be to maintain our competitive position and market shares in world markets, achieve long-term stability, and maintain adequate supplies of food and fiber at reasonable, though not cheap, and stable prices.

The concepts that are in the current legislation, not necessarily the details, I think are very good concepts and very workable and can be extended into the future and into the future farm policy. The target price concept is an excellent concept. It permits subsidization of income without affecting market prices directly. The provision for loans at somewhere around long-term world prices are extremely important. We've got to have that stability. We've got to be able to guard against the actions of other countries or groups of countries as they seek to erode our position in international markets. So, we need those concepts; and I think they're very workable if the target prices are reasonably set and loan rates are at reasonable levels and if we have evenhanded administration of these policies. We also know that, I think, in the future, we will have to have some method of monitoring or restraining production in cases of overproduction. I would propose that we look seriously at something other than acreage controls, maybe a marketing quota. If we establish acreage controls, we know that immediately other countries and our competitors just come in and fill the void. If we can associate the deficiency payments and the target prices with marketing quotas, you get some idea of the stability of the level of Treasury costs. You also have a sort of a guarantee and some protection to the farmer; but you don't preclude him, if he can produce at world prices, from continuing to expand production.

The other things I think the policy needs to look at are opportunities for enhancing our position in international markets. We're not as adept and knowledgeable about marketing in the international arena as we are about domestic marketing; but we still need to look very carefully at those things that will permit us to be competitive in an operational sense. Maybe it's pricing. Maybe it's provisions that relate to the shipment of our products. Maybe it's credit supports, the Public Law 480 and things of this sort. Maybe it's a sort of an export PIK arrangement.

In addition to this, I would be remiss if I didn't mention the question of fragile lands and the problem of fragile lands. I don't

have the solutions to that, but I know that we need to look at the problem associated with bringing lands into the production of crops where it has a severe erosion or deterioration of the land problem.

Also, I know you recognize that policies and actions that deal with the general economy, those things outside of agriculture such as monetary and fiscal policy, and national security considerations, can have a severe impact on agriculture. We can't look at agriculture in isolation in the future, not that we have totally in the past, but I think these things outside of agriculture are going to be important.

Finally, I raise the question about whether or not the Department of Agriculture would have the ability to effectively manage farm programs, given their exposure to pressures from special interest groups and others—whether or not they can make the hard decisions that are in the long-term best interest of agriculture, rather than just responding to extreme short-run questions. I suggest that we might want to give consideration to establishment of a semi-independent or an independent agency to administer our ag programs, particularly when you get into the details of the level of target prices, the level of loan rates, release prices, and the management of this supply of agricultural products that we need. We need to maintain certain levels of stocks, and we need to manage those stocks to be in the long-term best interest of agriculture and our national interest.

Thank you, sir.

Senator COCHRAN. Thank you, Dr. Hurt, for that excellent overview and provocative statement on agricultural policy. Next, we'll hear from Robroy Fisher.

## STATEMENT OF ROBROY FISHER, PRESIDENT, ASSOCIATION OF MISSISSIPPI AGRICULTURAL ORGANIZATIONS

Mr. FISHER. Thank you, Senator Cochran. For the record, my name is Robroy Fisher, and I'm a cotton and soybean farmer from Washington County. I currently serve as president of the Association of Mississippi Agricultural Organizations which is composed of more than 25 agricultural organizations that work together in promoting the development of agriculture and agribusiness entities operating in our State.

I would like to also express my appreciation for the opportunity to present this statement. We wish to thank you especially, Senator Cochran, for the very effective and excellent manner in which you serve agriculture in the Senate of the United States, in spite of the fact that you're not a graduate of Mississippi State University.

There are three principal issues that I would like to emphasize regarding agricultural policy. First, that we continue to support a market-oriented farm program aimed at maintaining commodity prices in the marketplace at levels that provide profit opportunities.

Second, we continue nonrecourse CCC loan programs for storable agricultural commodities to provide farmers with orderly marketing opportunities. Loan levels should not guarantee profits, but should provide a safety net that could be utilized by farmers to

spread sales over a period of time and thereby take advantage of favorable marketing conditions and prices.

Third, we strongly support target prices as a mechanism to provide partial income protection when market prices are depressed through short periods of time. It should be recognized, however, that the target price provision would not be operable when market prices are at favorable levels. If you remember when that was written into the 1981 program, I think we called it a "do-good" amendment. That, as long as the factors, or the powers that be, did a good job with exports and whatever that could impact market prices, that there would be no need for a target price.

A high level of agricultural exports is essential to maintaining a healthy agricultural economy in the United States. Exports contribute to favorable commodity prices which permit farmers to obtain their income from the market. This, in turn, reduces the cost of farm programs to the Government.

We believe that maintaining strong export demands for U.S. farm products and the expansion of export markets should be the No. 1 objective of USDA; and that all of the tools provided by Congress should be utilized to accomplish this objective. These tools include CCC credits, Public Law 480, Export-Import Bank loans, interest buy-down, and blended-credit provisions.

Finally, I would like to comment on the importance of a well-financed dynamic agricultural research program. The United States had the foresight to form a unique partnership between the land-grant universities and the Federal Government/USDA, to provide for the most productive agricultural system in the world. Scientific technology, research and education have reduced costs of production and at the same time, increased the actual units per acre of farm commodities produced. No other single factor in the entire agricultural production complex has benefited the American consumer as much as agricultural research.

I personally feel that a large part of the answer in resolving the crisis which exists in farm income today lies in the solutions that can be obtained through agricultural research. As we look to the future of American agriculture, I would urge the administration and Congress to move toward increased support for agricultural research. The results of agricultural research translate into national security and a favorable international balance of trade for the United States, which is so basic and fundamental to the national welfare. I believe that agricultural research amounts to some 2 percent, I believe, of the total Federal research budget; and, in relation to its contribution, not only to our national economy, but to our trade balance as well, I think, indeed, that is not a fair share, Senator.

We applaud your efforts, however, to maintain the current level of supports for agricultural research and urge you to continue to emphasize the need for increased funding of agricultural research programs.

These remarks have been somewhat general in nature, but we hope that in the future, as the farm program develops—and it looks like everybody is trying to get their hand in on the farm program—that we'll have an opportunity to be a little more specific at the appropriate time.

Senator COCHRAN. I appreciate this overview that you have given us, because it really does, and Dr. Hurt's statement does as well, identify the essential provisions of the farm bill. As you went through the statements, both of you hit upon some very key provisions that I remember were very sharply debated when the 1981 bill was written; and I know they will be up for debate again. I heard the Secretary of Agriculture say when he was here on the campus recently that he thought the soybean loan program was the kind of program that all of agriculture should look to as a future way of representing the Government role in agriculture. That leaves out the target price concept; and I worry about the fact that this next year we're going to be confronted with a very tough challenge in keeping the target price concept and the deficiency payment concept as a part of the farm bill. The exposure of the Government in outlay is unattractive to those who are worried about the cost of farm programs to the Treasury. We have seen just in the last couple of years an increase in the cost of farm programs; but, if the Department is managing the export obligation that it has and is using the tools it has for acreage reduction effectively, then there wouldn't be any need for deficiency payments, and the Government wouldn't suffer any outlays directly to farmers. So, as you point out, the do-good amendment was an important part of the 1981 bill; and it's going to be debated very sharply, I know, and aggressively this next year.

Having your view on that is important to me.

I was interested in Dr. Hurt's observation about the marketing quotas as a possible alternative to acreage reduction. I know that we have marketing orders that we use to help control supply in some areas of agriculture now. Many of the speciality areas use marketing orders in this way, and that turns out to be a quota on production. Is a marketing order or a quota manageable in a commodity area like cotton or rice or wheat?

Dr. HURT. From an economic standpoint and operational, I think so. I think it has some advantages for the farmer. The farmer would know the quantity that he would be guaranteed this deficiency or this level of price upon. Instead of—as contrasted to acreage controls, when he plants, he knows that he can plant 80 percent of his base or whatever it might be. He doesn't have any idea what yield he will get from that. Many of them will substitute other inputs for land. You know, you intensify the production on land and you wind up with a higher per unit cost of production when you have acreage control. The quotas would permit some stability of income. He may choose to plant considerably larger acreage and take a chance on world prices. I think you get away from telling him how many acres he can plant, and let him make his own decisions based upon his costs and his expected returns from his operation. Marketing certificates—we have warehouse receipts for cotton. It's the same sort of concept and the same sort of ideas, I think, would apply in an operational sense. I think there are some real advantages also in that you get a little bit better feel for Treasury costs and you don't tell our competitors that, "Look, we're only going to plant 'x' acres." We don't know how much will be planted. We don't know what the supply will be until after the fact; and it will permit our farmers to plant—I wouldn't restrict

them from planting over quota, if they want to compete at world prices and take this chance.

Senator COCHRAN. That's interesting to me. I know that the experience in set-aside programs has been that a farmer will set aside his sorriest land, too. You know, he's not going to set aside his best land; and, therefore, you're going to end up with production that's skewed, that's not his average production on his total farm. When we're having high water, a lot of the lands that were set aside were under water; and it was hard to plow anyhow. I'm not saying that everybody did that. That was an exceptional case I heard about.

The marketing loan or the marketing tool that is represented by the loan rate on a nonrecourse loan that you both mentioned has been an effective way to provide a level of stability and support and also to help in marketing. Both of you seem to agree that this is important to continue to keep as a part of the farm bill. There is always the question, "Well, how high should the loan rate be?" I know I've heard arguments that, if you have it too high, then you're just going to force the Government to buy, in effect, everything that is produced by American farmers; and the Government is going to be the marketer. I'm not sure that's what we want. Some may want that. I think some do urge that loan rates be increased considerably. That's one point of view. Do you share that point of view?

Mr. FISHER. Senator, I don't think that we in Mississippi have ever advocated a higher loan rate, that it becomes a market-setter or anything. We feel, I think, that it should be tied to the cost of production, and that it should be an orderly marketing tool. It's a source of the farmer getting money for the crop until he can market it at a more appropriate time for his benefit and the market's benefit; but it is that tool, and it should serve no other purpose; and, if it gets enough so that it creates surpluses or any of the other things that—you know, that it controls, then it's too high.

Senator COCHRAN. I've heard some members of our Agriculture Committee, particularly from out in the Northwest, the wheat-growing area of the States, where they grow a lot of wheat and have cattle, say that we don't care about the target price. We'll just do away with the target price and set the loan rate up high enough. What is you reaction to that?

Mr. FISHER. I'd go back to the same thing I said. I think that both of them are tools. Now, there's no—there's no question but what we may have to look at some adjustment in target price. I wouldn't speak at all to the levels of it. However, I think those levels came from the administration and not from our sector or from up in the Congress, really; but I think we need both of them, but I think they should both serve the purpose for which they were designed; and, to eliminate one or the other, I think, would create more problems that it would solve.

Dr. HURT. The problem with a high loan rate, Senator, is that, if you set it above world prices, you can bet your boots that immediately the Canadians and the Australians, in the case of wheat, are going to expand and slip in right under us; and all or a high proportion of our production will tend to go into the Government loan program.

Senator COCHRAN. And they will sell, and we won't be able to sell.

Dr. HURT. Yes, sir.

Senator COCHRAN. I really appreciate your help this morning in leading off as the first panel in this hearing. I think that your testimony has been very helpful, and I appreciate your being here. Thank you very much.

Our next panel consists of witnesses who will present statements with respect to the agricultural credit issue. James Bennett, who is vice president of the Federal Intermediate Credit Bank, Jackson, MS; John Allen Murphree, chairman of the Fifth District Farm Credit Bank from Houston, MS; J.C. Whitehead, chairman of the board of directors of the Bank of Mississippi, Tupelo, MS; Mr. Max Dutcher, who is Director of the Jackson Regional Office of the Federal Crop Insurance Program in Jackson.

We welcome you to the hearing, and appreciate your being here this morning. I ask of you, if you would, to make summary comments from your statements to give us an opportunity for discussion after your formal presentation. We will start with Mr. Bennett.

## STATEMENT OF JAMES G. BENNETT, SENIOR VICE PRESIDENT, FEDERAL INTERMEDIATE CREDIT BANK OF JACKSON

Mr. BENNETT. Thank you, Senator Cochran. I appreciate the opportunity to appear before your committee. Our bank, the Federal Intermediate Credit Bank of Jackson, represents 22 production credit associations and 15 agricultural associations in Mississippi, Louisiana, and Alabama.[1]

As you well know, the farmers are in the worst economic condition today since the Great Depression; and there are some quarters that seem to think the answer to our problems is restructuring our farm debt and more agricultural credit; I have a booklet that I passed out, and I also attached it to my testimony; and I'd like to present a few facts and figures from this booklet.[2] I think it would help to give us a better idea of where we are in agricultural credit today and where our farmers are.

If you would, if you would look at page 3, you would find that the net farm income, the realized net farm income today is less than it was in 1967. If you base everything on 1967 dollars, our net farm income today is less than it was in 1967. Yet all statistics that we look at looks as though the farmers are doing extremely well. When you base it on 1967 dollars, it shows that our net farm is less.

I think another important statistic is on page 4. It is a ratio of farm mortgage debt to the net farm income that farmers have; and, not since the Depression, have we had a higher mortgage debt than we have the net farm income.

Another example that we'd like to look at is on page 6, is the non-real-estate debt as it's broken down between Farmers Home Administration, PCA, and commercial banks; I think this is the most important aspect of where lenders are coming from today.

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[1] See p. 134 for the prepared statement of Mr. Bennett.

[2] Retained in committee files.

When we start talking about restructuring debt, all we're doing is adding more burden to the farmers that have to pay that debt; I'm not saying that the Farmers Home Administration programs are good or bad. I think this just shows an indication of what happens in a restructuring situation. In 1973, the Farmers Home Administration had less than 10 percent of the nonagricultural debt. Today, in the three-State area that we serve, they have over 50 percent of the non-real-estate debt; and in Mississippi, they have approximately 60 percent; and you can see the commercial banks and the PCA's have declined in a like manner in that period of time.

I think what's happening to us in our district, if we'd look at page 9, the average farmer is approximately 45 years old. He owns approximately 600 acres of land, and this gives us an idea of what happens. The 1970's looked extremely profitable in farming, and one of the reasons they looked extremely profitable was because of the double-digit inflation that we had, the increase in land values. I'll give you an example of where we are today. In 1980, if a person owned an acre of land, an average acre of Mississippi Delta land, that land was worth approximately $1,600; and, at that point in time, between 1979 and 1980, he would have had probably two or three people that were waiting in the wings to purchase that piece of property. The farmer, as of 1980, probably owed about $1,000 an acre on it, and had about $600 worth of equity in the piece of property. Today, we're finding that property in our area of the State has devalued or decreased in value approximately 25 percent. That same piece of property that was worth $1,600 an acre in 1980 is worth approximately $1,200 an acre today; and due to the interest of the property, the debt is up to $1,200 an acre, and he virtually has no equity at all in the farm. His equipment has basically done the same thing. The value has decreased because of the depreciation. Debts have increased because of the interest rates that he's had to pay, and his equity position in equipment had declined in a like manner.

If you look at page 10, a balance sheet that was prepared in 1980 on our typical borrower, you would find that his liability to equity ratio was what we considered to be a fairly comparable ratio, that he could make his obligations with some problems but was able to maintain a fairly comfortable position. He had about a 1-to-1 ratio between liabilities to his net worth. In 1984, that same individual now would have about a 6-to-1 liability to equity ratio. It's almost virtually impossible for an individual to overcome those types of ratios. Additional debt is not going to solve an individual's problem. What we've got to have in our farm is profitability. That's going to have to be the answer to our problems. I don't think creating additional debt load on farmers is going to solve the problem that we have in the farm credit sector. I do think that some form of profitability, some measures to trying to control the farmer's debt load, at the same time putting profitability back on the farm.

On page 12, we have the problems that we feel needs to be addressed. We don't think that additional debt is the solution to the problem, and that profitability is the only thing that we feel will solve our problems; and I think some of the comments that were made by some of the earlier group certainly could do some things to put profitability back into the farming operation.

I certainly do appreciate the opportunity to appear before you, and we appreciate the things that you've done for us in farm credit and look forward to working with you in the future.

Senator COCHRAN. Thank you very much, Mr. Bennett, I appreciate your statement. John Allen Murphree, you may proceed.

## STATEMENT OF JOHN A. MURPHREE, CHAIRMAN, BOARD OF DIRECTORS, FARM CREDIT BANKS OF JACKSON

Mr. MURPHREE. My name is John A. Murphree, and I'm here today as a farmer and as chairman of the board of directors of the Farm Credit Banks of Jackson. In that capacity, I represent the Federal Intermediate Credit Bank of Jackson, the Federal Land Bank of Jackson, and the Jackson Bank for Cooperatives. And, as you know, Senator, we have just completed a move to Jackson—our headquarters to Jackson, MS; and we are very proud of the fact that we have in our headquarters their products.

I'm rather concerned about the prospects of any efforts to create new sources of money to be loaned to farmers. Everywhere that I go, I hear that availability of money is not the problem. The problem is that many farmers have more debts than they can repay. More sources of funds and subsidized interest rates would compound some of these problems. These actions would also create some unfair competition to the farmers who have maintained financially sound and profitable operations throughout the same economic timeframe. It's been my observation that credit used and not abused is like capital that never fades away.

Another concern is about this restructuring of debt program which we hear much about. In this program, lenders would, of necessity, be required to write off some portion of the indebtedness or make a concession in the payments of principal and interest. It's been my observation that you cannot borrow yourself out of debt. If—since the Farm Credit System is farmer owned and capitalized, there is no Government money involved, when our assets become nonearning assets, the bottom line is an increase in the cost of the interest to the many farmers that have successfully dealt with this situation. The heavy losses that have been absorbed by all agricultural lenders are an indication that the last-mile effort has been made. As far as restructuring debt, the Farm Credit System has been restructuring debt for the last 4 years in the form of extensions, reamortizations, extending debt; but there is a limit, Senator, as to how far independent agencies can go in this direction; and it must be recognized that, unless something is done and done soon, many of the farmers that we have today are not going to be farming in the future.

It's my opinion that this problem of restructuring debt and the debate on credit problems, if that is included in the 1985 farm bill, that we probably won't get a farm bill until too late next year.

Higher support prices are almost always thought of with some type of production control. As Mr. Hurt talked about, and I agree with his analysis of not controlling production by acreage but by some type of a poundage or bushel control. If we announce our cut in production to the other countries of the world, I think they will

take up the slack as China has done our cotton, and they'll do it quickly. We know that surpluses create problems, but thank God for the ability to create those surpluses; and you can't manage something if you don't have something to manage.

We'd like to say sell our farm products and do something to offset the high value of this dollar that keep foreign countries from purchasing our products.

We would urge you to give strong consideration to the independent agricultural lender when you're considering this restructuring of farm debt, unless the Government wants to finance all of agriculture, because—well, we think that Government guarantees will prove much cheaper in the long run than furnishing all Government money.

The main focus of my presentation is to emphasize the need for profitability and markets in agriculture; and I too appreciate the opportunity of appearing before you, and we appreciate your efforts in seeking our input; and I say so for the farmers of the three States, Mississippi, Louisiana, and Alabama. I thank you.

Senator COCHRAN. Thank you very much, Mr. Murphree. Our next witness is J.C. Whitehead.

## STATEMENT OF J.C. WHITEHEAD, CHAIRMAN OF THE BOARD, BANK OF MISSISSIPPI, TUPELO, MS

Mr. WHITEHEAD. Thank you, Senator Cochran. I represent a business that operates across north Mississippi and our relationship primarily is to the farmers on what we classify as the small- to medium-sized farm; and I would speak from that particular point of view.[1] The price of money, that is interest rates, has been one of the real aggravators in the financial problem of agriculture. I certainly want to hasten to point that this is not a unique problem of agriculture. Any business or industry operating in a highly leveraged position has the same difficulty. A new car agency is a good example of what I mean. When Ford and Chevrolet dealers go broke in good business towns in Mississippi, it highlights the dilemma; and that's certainly happening all over Mississippi. Whether high farm debt is incurred because of a series of operating losses or farm purchase at inflated prices, the effect is the same—an onerous interest burden. As long as the money system is used to fight inflation, I see no relief from this particular situation and this high and volatile interest rate. The market risk of widely fluctuating rates certainly can't be assumed by thinly capitalized financial institutions and can only be passed to the borrower.

This does create, I believe, with the Farmers Home Administration handling a lot of the financing, as has already been testified here today, approximately 60 percent in Mississippi, it creates an unfair competitive situation for those farmers forced to use the regular commercial markets and certainly those of the FICB where we have to pass the interest rate directly along to the borrower.

I would think, Senator, I maybe shouldn't suggest to you, but I see this as a problem of Congress, if we are to face up to the deficit problem and to restore confidence in the people who supply money

[1] See p. 136 for the prepared statement of Mr. Whitehead.

for this country; and they believe that neither major political party has the courage to face the deficit problem and restore confidence so that interest rates get to a much lower level and more stability. For a long time we were the envy of countries all over the world in our stability—in our interest rate and the stability of our interest rate. We no longer have that, and that certainly has created serious, serious problems.

Another event that, although it's relatively small in nature, it certainly received a lot of press, is the action of some farm borrowers toward foreclosures; and I want to say this, because I think this is having some political impact. It's certainly an unpleasant, unwanted task; but the attempt to stall, delay, or avoid foreclosure and to build political and public support for such tactics can certainly cause some of us lenders to reevaluate our criteria for credit; and I think it just simply means there's going to be less credit available for the so-called marginal operator or the person that's on the low end of the financial scale. I would not attempt to predict in the business cycle we're currently in, in agriculture, but most people seem to believe that we're going to lose 25 or 30 percent of our farmers in this cycle and, if there's going to be a strong attempt from those of us who are attempting to save these people or help these people operate, the folks who are efficient and effective producers, then this sort of thing can only aggravate the problem.

I want to say, along with the people who've already testified, that the matter of farm debt restructuring is certainly one of a serious problem and serious—and it indicates serious consequences; and I think it would be a tragic mistake to attempt to include that in any farm bill. I think the debate generated would decrease the chances of getting a good farm bill passed in 1985.

In the final analysis, lenders look first at the capability of the borrower to repay the loan and not to the collateral. It's rather fundamental to say the price of products sold, less the cost of production, provides the means to pay a loan. Today's world is going to weed out some marginal, inefficient producers; but many farmers have long ago recognized that, in any economic battle, the low-cost producer is going to win. The other side of this formula is the price of products sold; and, as it's previously been testified, I think the most serious matter that we're facing as lenders is having as a borrower a profitable customer. I have grave apprehension about any Government interference in our free-market system. I have a strong belief in our free-market system; but I also know that, for many of the customers I serve, a marketing plan is just almost nonexistent. I think any program to encourage a more orderly marketing program is of value to us in appraising the lender. And, of course, lenders, like farmers, are getting some mean licks from the uncertainty of the market. Let me say that, as a lender, on this question of restructuring of debt, we've been restructuring debt now for some several years; and it's certainly not a new problem to us. I think we'd be faced with great consequences if we attempted any sort of forgiveness or preferential rates. It certainly puts us in a very difficult position. I think—I know the home mortgage business has gone through some rather trying times; and the political strength of what happens in the adjustable rate mortgage in the home mortgage field has pointed out the difficulty and the political

support that can be generated for a business idea that basically is not sound. That is that the lender cannot assume in today's world the risk of the market.

Because of this high debt-to-asset ratio in farming, and I suspect that's far more prevalent in the customers we serve than the larger farmers, lenders are raising their credit standards as they get increasingly nervous over a failure of the farm borrower to reduce this debt ratio. It seems to me that, if there is such a thing as a program to help the smaller farmer or the person with limited equity, that some guaranty program might have merit. I do think that the system of determining who's qualified can only be—can only be managed by letting lenders share a large part of the risk. In so doing, the lender is going to make the decision, and they will determine who the profitable—the person with the capability of being a profitable operator happens to be.

Senator, I appreciate the opportunity of testifying, and we appreciate your interest in agriculture.

Senator COCHRAN. Thank you very much, Mr. Whitehead. Our next witness is Max Dutcher, Director of the Federal Crop Insurance Program, Jackson Regional Office. Mr. Dutcher you may proceed.

## STATEMENT OF MAX DUTCHER, DIRECTOR, FEDERAL CROP INSURANCE PROGRAM, JACKSON REGIONAL OFFICE

Mr. DUTCHER. Thank you, Mr. Chairman, good morning, distinguished members of the panel. As the Director of the Federal Crop Insurance Program in Jackson's field operations office, I really appreciate this opportunity to share some perspective from the field. Many of you don't know, but we do cover a three-State area from our office: Louisiana, Mississippi, and our neighboring State to the east of us here that we're real proud of.

Because of the schedule of events here today, I'm going to keep my remarks very brief so the other people engaged in direct lending and direct agricultural support will have a chance to comment.

First, I believe that no new legislation for Federal crop insurance is necessary. We initiated the new program in 1980. The Department of Agriculture's field offices has noticed a general decrease in the number of complaints about the program over the past year. The Corporation has made great strides in dealing with the tremendous increase in overall business and county crop programs and will continue to work toward expedited servicing of its policy holders. The field office has and it will continue to be most concerned with providing farmers timely service, in the processing of insurance documents, training of their agents and loss adjusters in the payment of claims. In this regard, we're anxious to see our date processing capabilities implemented at the county level. We are currently developing a pilot system based upon FCIC District Directors sharing computer operations and data with the local ASCS county office. This will allow our personnel to control scheduling of claims functions from the local level. Most importantly, we believe that it will greatly reduce the amount of time it takes to pay claims and process paperwork. The farmer would know in the shortest time possible where he stood with the Corporation. I un-

derstand that this cooperative effort is now operating on an experimental basis in three counties in Virginia, Kansas, and California. Like most major undertakings, this project may take some time, but we anticipate that the results of these pilot programs and the exhaustive study the Corporation is doing on the subject will be beneficial to the farmer.

Program innovations basing coverage on individual production histories have gone a long way in addressing the issue of coverage levels. Additionally, the Crop Insurance Act of 1980 allows State participation in the subsidization of premiums. It seems to us that this would be a creative way to address the problem of premiums being too high, especially in some disaster-prone areas. The success of the Crop Insurance Program depends upon widespread use by producers. State support should increase participation levels. States may participate in various ways. States can directly refund to the producer a determined portion of the producer's premium. States can provide tax credits for participating farmers equal to some portion of the premium. The Federal Government can bill the State for a share of the premium at the time acreage reports are processed. States can offer the entire insurance plan with FCIC reinsuring the program and sharing a portion of the cost. FCIC is always willing to work with State governments to minimize administrative expenses associated with State support. The only required administrative cost to the State should include preparing and transmitting payments by the State to FCIC on behalf of its producers.

You may be aware that on July 3, 1984, the Governor of the State of Alaska signed a bill to subsidize the Federal Crop Insurance Program; and, yes, there are crops in Alaska. That bill will provide a subsidy to match the Federal contribution to producers' premium costs. We are encouraged by the increased interest expressed in the program. The State legislatures of several States, including Texas, Maryland, Wyoming, Alabama, and Wisconsin, are asking FCIC for more information and for representatives to appear at their committee hearings.

I believe in and would like to see Federal Crop Insurance continue as an insurance program to provide a guaranteed cash flow between farmers and agri-lenders.

Mr. Chairman and members of the panel, thank you. That concludes my remarks for today.

Senator COCHRAN. Thank you very much for you participation in this panel, Mr. Dutcher. Let me say that I think there is a common thread that runs through the testimony of the members of this panel, and that is that more loans, more credit is not going to do the job for American agriculture. That's not going to help solve the problems that exist. What we really need now is profitability on the farm, not more credit at whatever rate of interest, but we do need lower interest rates as well. When operating loans are needed, we need to be able to obtain those at a more reasonably priced level of credit; and Mr. Whitehead points out that there is room in the system for a limited loan guaranty program. That could prove to be helpful.

I might say that I tend to agree with those comments and those observations; and I was delighted when the Senate passed, this year, legislation that I authored to require the administration to

convene a task force on credit—on agricultural credit—to try to get at the real issues behind the problems of threatened foreclosures and margins of profitability that were putting farmers in tight squeezes; and, while they have not appointed the task force formally as the Senate urged them to do, there was an indication of interest in doing something. I was glad that Mississippi State was chosen as the site for a Credit Roundtable which the Secretary convened. It was a national meeting, not just a State meeting. Representatives of farm organizations around the country were invited to attend, as well as lenders. The head of the Independent Bankers of America attended, and other Farm Credit System representatives participated including Jack Condra, president of the Federal Intermediate Credit Bank of New Orleans. I thought it was a good meeting. It was an effort to focus the best minds of the country on this problem to see whether or not there need to be any major changes or reforms in the way credit is provided to farmers.

I get the message, too, that we shouldn't try to write into the farm bill a title on farm credit, that that would be a mistake. I think that was the suggestion that two or three of you made; and I hear you. I think that's probably a good suggestion. We might make a mistake trying to do too much with one bill, and that's one of the reasons why I was interested in your testimony this morning.

There have been some specific changes suggested in the Farmers Home lending program, different ways of going about making credit available through the Farmers Home Administration to distressed farmers, those who wouldn't be able to get credit from any other source. I think one thing that we probably have learned; and while you didn't say this, probably suggested it, that the Farmers Home Administration ought to continue to be the lender of last resort, not the lender of the first resort. That may be a problem that's developed and we need to take another look at how the system actually works and try to keep it from continuing as a lender of first resort if that is the case.

There is in the recently passed appropriations bill a new $650 million guaranteed loan program that ought to provide some help to those who wouldn't qualify for Farmers Home loans or shouldn't get Farmers Home loans, but who might need the benefit of a guaranteed operating loan program where they might not be able to get a bank or a PCA or some other traditional lender to provide credit otherwise. What is the Farm Credit System's reaction to the $650 million loan guaranty program? This was at the urging, really, of the Independent Bankers of America and many farmers who were interested in the program. What's your reaction to the program?

Mr. MURPHREE. I think it would be an extremely good program. I think there's a lot of people that do not qualify for Farmers Home Administration programs, but are in that class of people that I say, if they can't get some help from somebody, they're going out of business; and quite unfortunately those kind of people need to stay in farming, because, if you looked at the portfolio of the Farmers Home Administration versus private lenders' portfolios, those guys would probably be toward the bottom, but would be toward the top of the Farmers Home Administration portfolio. I think it's an extremely good program, and I think it's one that certainly needs to be used.

Senator COCHRAN. I appreciate hearing that reaction. There has been a suggestion that we needed $1 billion in lending authority in that program. The administration was threatening to veto the bill, to be honest with you, if we had a program that big; and it seems like the $650 million figure was one that might be acceptable, that bill is now in conference. That's one of the first items that will be taken up when we go back in session next Wednesday. Congressman Whitten, of course, is chairman of that subcommittee on the House side, and I'm chairman of the Senate committee. It's an all-Mississippi conference to work out the differences between the two bills. It's good to look across the table and see somebody you know. He's maybe one of the few people up there you can understand in the conference. He's a great asset for our State. He does an outstanding job.

I think on the agenda now is a break in the proceedings. Let me thank you for being a part of this panel. I really appreciate the quality of the statements made and the thought that was put into them. Let's take a break now, and we will reconvene in 10 minutes.

RECESS

Senator COCHRAN. The hearing will please come to order. We'll now hear from the panel on the subject of agricultural research and extension. We have with us this morning Billy Ross Brown, who is the chairman of the State Soil and Water Commission and is also chairman of the Oxford Production Credit Association, and Owen Bibb from Tunica, MS, who is a farmer and leader in the extension area. If you would both come forward please.

We have written statements from each of the witnesses who serve as members of this panel, and we appreciate that very much. We ask you to make you summary comments or other statements that you would care to make. Billy Ross Brown, we'll proceed with you. Thank you for being here.

## STATEMENT OF BILLY ROSS BROWN, CHAIRMAN, MISSISSIPPI SOIL AND WATER COMMISSION

Mr. BROWN. Thank you, Senator Cochran. I'm pleased to appear before you to discuss some of the research needs of agriculture for your consideration as you prepare the 1985 farm bill. I am particularly pleased that you recognize the need for agricultural research, and the role that the Mississippi State University and all other land-grant universities play in developing new technology. The farmers and agri-business men of Mississippi and of the Nation are proud of our research and educational system, and pledge our continued support and encouragement to you and others who provide funding and direction to this unique partnership of Federal, State, and local interests.

Your task, in providing policy direction and funding support to the State agricultural experiment station system, is particularly important today, because many American farmers are facing serious financial difficulties. Their economic survival is at stake, and their only hope at remaining viable and productive is through some combination of increased revenue and/or reduced operating cost. In order to accomplish either of these, research is necessary.

With regard to boosting revenues, the most urgently needed research is in understanding the competitive position of our major agricultural industries in world markets. For too long, we have neglected the international economy in our agricultural agenda. We need to better understand our strongest competitors and the basis of their ability to compete with us. Then we need to design new production technology and trade policies that will help us compete. This requires that we fund research to assess current production and marketing practices for our various agricultural industries and for similar industries in other countries. It also requires that we examine carefully both our current farm commodity programs and trade policies and those of competing countries and their impacts on our ability to sell commodities at competitive prices in foreign markets. We have not taken this approach in our agricultural research in the past; but we need to develop it as quickly as possible in the future.

With regard to cutting expenses, research has played an important role. One of our greatest needs is to find substitutes for increasingly expensive fossil fuel based things such as inorganic fertilizers, chemicals, and diesel fuels. We realize that the solution to cutting expenses for these inputs lies in long-term fundamental research to develop more genetically superior plants and animals. In this regard, the U.S. Congress is to be commended for its interest and increased funding support to basic research in agriculture; but let us not forget, we must move from the laboratory to the farmer if it is to be economically profitable to society. We must have funding for applied developmental research to build the bridges between the laboratory and the production systems to use new biotechnologies on farms.

Another of our most important needs in cutting expenses is research on production management systems to conserve soil and water. Many of the production practices currently in use contribute to continued erosion and loss of soil productivity, and the degradation of our surface water supplies. Our research needs to focus on development of profitable farming practices that guard against soil losses from wind and water erosion in our major crop producing regions. Research both on crop management systems and conservation tillage systems is needed for major soil, climate, and crop combinations found in the United States.

Coupled with these research needs is the need to develop water management systems that are more conserving of water and our topsoil resources while maintaining high levels of crop productivity. Advancements are needed in terms of reduced labor and energy requirements for irrigation through automation, improved timeliness of water applications, and increased efficiency in allocation and distribution of water on agricultural lands as a means of saving water and reducing irrigation expenses.

These research programs are essential in ensuring economic survival and prosperity for our farmers. Some of them are long range in scope, such as our biotechnology research. Others are more likely to impact on the profitability of farming in the near term. Most of these research needs represent situations where the individual States are either unable to fund the research effort or where the spillover benefits to other producing areas are large in relation

to the benefits captured by firms within the State. Thus, underinvestment by State government is occurring.

In the case of international trade research, few State experiment stations can marshal the necessary resources to fund an effective research program. Federal support of the research is required. And, given the role that agricultural exports play in reducing our deficit trade balance, it is clearly in the national interest to invest in this agricultural trade research.

In the case of production technology research to save on expensive industrial farm inputs, reduce losses in soil productivity and improve efficiency of irrigation, the States are investing, and will continue to invest, in the research. But the research paid for in one State results in technology applicable in other States, too, mainly because State boundaries do not coincide with the agricultural producing regions. Such spillover benefits to farms in other States generally are not accounted for by those who do not pay for the research, and this weakens the support for the research by State level policymakers and their constituents. Where substantial spillover benefits occur, the research can be most efficiently and equitably funded by the highest level of government. Thus, it is in the national interest to support these research needs geared to reducing production costs and conserving our scarce soil and water resources.

Finally, let me close by recognizing that current public sector agricultural research investment approaches $2 billion annually, with the Federal investment amounting to half this total. This is a large investment; but when we consider that American agriculture and related businesses that furnish industrial farm imputs and store, transport, process, distribute, and market our farm commodities account for over one-fifth of all personal income and employment in the U.S. economy, we are reaping a substantial social return from this public investment. Indeed, in the past and even today, every dollar invested in research returns about 50 cents annually on that investment over a 15-year period. That alone is the greatest testimony available to the wisdom of additional Federal investment.

Thank you, sir.

Senator COCHRAN. Thank you very much for an excellent statement. We'll now hear from Owen Bibb.

## STATEMENT OF OWEN BIBB ON BEHALF OF COOPERATIVE EXTENSION SERVICE

Mr. BIBB. Thank you, Senator. I'm Owen Bibb, a farmer from Tunica County and a member of the Statewide Extension Advisory Council, and would like to make a brief statement on behalf of the Cooperative Extension Service, which has had a long and prestigious history here at Mississippi State University.[1]

With inflation, high interest rates, a strong dollar, world-wide economic recession, skyrocketing costs of production and back-to-back years of unfavorable weather conditions, our farm economy cannot survive. We must try to reduce production costs, increase yields, make better use of our natural resources, use more up to

[1] See p. 137 for the prepared statement of Mr. Bibb.

date marketing techniques, and expand our world markets to get back on a recovery road in agriculture.

It is my belief that the Cooperative Extension Service can play a vital role in providing solutions to these problem areas. Realizing that our Federal deficit is a major concern to all, we must use what funds may be appropriated so that they will produce the most return on each dollar invested.

Research and dissemination of information are mutually dependent. One is of very little use without the other. We have a great deal of data from research and development which is not being disseminated or used as extensively as it might be by the farmer.

In today's modern technological society, the agriculture community is constantly being bombarded with new cultural practices, machinery, chemicals, seed varieties, breeds of livestock, and other production-related inputs. With today's marketing techniques, effective marketing strategies are just as important as good production practices. The ability to make use of all of this falls into the category referred to as the management decision process. The day of the farmer's keeping records on the barn door is gone. To survive today, the farmer must avail himself of the latest technologies for recordkeeping and decision aids.

Two major efforts are needed to enhance the use of the microcomputer by farmers in Mississippi. First, every county extension office must be equipped with a microcomputer system; and today about 30 offices are scheduled to receive microcomputer systems this fall as a part of the technology transfer project. I encourage the continuation of the specially funded technology transfer project until all Mississippi Extension Service offices are equipped with microcomputers. I learned yesterday that, instead of being 30, that we've got 45 counties now that are getting enough money to put computers in.

The second effort is to develop a statewide computer network from Mississippi State to all county offices. This action would allow the rapid exchange and dissemination of information to the local levels. Further, a portion of this network should be made available to clientele for direct access. Such things as insect and disease alerts, crop reports, marketing reports, market analysis, and weather reports would be extremely helpful to the farmer in his decisionmaking process.

My personal experience with computers is that while computers may seem complicated to some, the average farmer can learn to use computers as decisionmaking aids with very little formal training; but, here again, I think the Extension Service, through its educational programs, can play a vital role in introducing more farmers to this new technology.

Forest land: Forest land is the single most dominant land use in the country. The majority of our commercial forest land is held by private, nonindustrialized owners—people from all walks of life who are farmers, factory workers, business and professional people, retirees, and housewives. In Mississippi we have 53 percent of the total land area in timber, of which 71 percent is privately owned. Private, nonindustrialized forests are producing only half of their potential. Less than half of these owners regenerate their forests

following a harvest cut. Many of these same owners are losing thousands of dollars each year due to poor marketing procedures.

Education is the answer. We already have far more technology than we are using on private, nonindustrialized land. We need to be able to transfer and efficiently disseminate the technology produced through research.

The only way to ensure the success of such a program is to directly involve the Cooperative Extension Service. There will be a need for a well-planned and implemented educational effort to support this program. Extension has the network in place in every State to provide grassroots leadership for educational programs. The limiting factor, though, is the low number of States and area level forestry specialists. We have more forest land owners in this country than we do have farmers. This situation gives us an enormous educational opportunity that we cannot afford to pass up. No money could be more efficiently spent on behalf of forestry than that which goes into the education of forest land owners.

Cotton: Cotton, a major crop of American agriculture, requires that highest per acre input of chemical insecticides of any major row crop. Pest management strategies are responsible for reducing these inputs drastically over the past decade, but inputs and costs continue at levels which are too expensive for growers and are nonacceptable for other segments of our society.

The original thrust of pest management was targeted toward management of insects on a field-by-field basis. Many of the original goals have been reached; but, as successful as these efforts have been, we continue to lose too much to insect pests. Some scientists see a need to expand pest management efforts along other lines. These programs have been reported to return as high as $60 per acre to producers. Economic evaluation of the Optimum Pest Management Program estimated a return of $44 for every Federal dollar spent.

With these successes and needs as a base, I recommend that $1 million be set aside annually in the 1985 farm bill for implemenation of and research to support areawide cotton insect management pilot programs.

The fiscal situation on many Mississippi farms is extremely poor. In some of the larger agricultural counties, delinquent rates are as high as 65 to 75 percent. Intensified farm fiscal management work should be started immediately with farmers. Special projects, such as employing area farm financial management agents and additional financial management training for county agents would prove useful in this area.

Improved marketing offers Mississippi farmers a great potential for increasing farm profits. The Mississippi Cooperative Extension Service has increased its efforts in marketing over the past 10 years, but additional emphasis is needed. Farmers must do a better job of marketing their products. Too many of them still sell most of their products in the bottom one-third price range.

Improving the marketing skills of farmers should be a major thrust of Extension over the next several years. Federal funding for this work in this area is badly needed.

During the past several years, we've had virtually level funding from the Federal standpoint. Many competent staff members have

left the Cooperative Extension Service for higher paying jobs. Staff received as much as $6,000 to move to other States and other jobs; and some of the most competent members of the staff are the first to leave. It is in my belief that more funding of all of these programs would be money well spent; and, in the long run, it would benefit agriculture and help reduce the Federal deficit.

Thank you, sir.

Sentor COCHRAN. Thank you very much, Mr. Bibb. I really wish that everybody who is here will be able to take advantage of reading the entire statement that was prepared by Mr. Bibb. I've looked through it, and it is a very outstanding piece of work. He goes into the extension area and the capability for developing new ways to communicate technical information to Mississippi and American farmers in a way that's most impressive. He gave just a very brief summary of this entire statement in his verbal testimony; but this is an outstanding piece of work. I thank you for your statement. The full statement, of course, will be a part of the permanent transcript of this hearing.

Some of you may not know this, but these transcripts are available to all the members of the Agriculture Committee, and we intend to be sure that each member of the committee has available to him or her the information that we are developing through this series of hearings in Mississippi. It is a part of the overall effort that will be made throughout this year, and next year, to get a wide range of input into the process of writing the new farm bill. This series of hearings in Mississippi are the first to be held anywhere in the country; because it's the subcommittee that I chair that is going to have the responsibility for drafting the bill. We're not going to have the full responsibility for writing it in final form, but we're going to have to present to the full Agriculture Committee a suggested draft. You are observing and participating in the beginning of the process of drafting the 1985 farm bill. I consider it to be an important undertaking, and I appreciate the efforts being put into the process; and I cite this paper and this presentation as an example. It's very, very helpful.

I think that both Billy Ross Brown and Owen Bibb have indicated by their testimony how important to agriculture generally, and to Mississippi in particular, research and extension are. Here at Mississippi State University, as you all know, there is a lot of very important research that is being undertaken. I'm glad to see our Appropriations Committee, just 2 weeks ago, include in our bill in the Senate a provision for forestry research centers. One of those centers will be located here at Mississippi State University if the bill is approved in conference and signed by the President, which we're hopeful will occur. One million dollars will be made available to Mississippi State University for the establishment of a forestry research center. We'll also have, if the bill is approved, a research center at Oregon State University or Purdue University. I think this is an indication of how important forestry is in Mississippi. In Mr. Bibb's testimony, there is a section on forestry and forestry research. An observation is made that there are more forest land owners now than there are farmers in Mississippi; and it has become Mississippi's No. 1 employer. The entire wood and paper products industry is the No. 1 employer in our State. Forestry is an

important area of agriculture that we need to focus on and understand and appreciate in Mississippi. It plays a very important role in our economic well-being and our economic life. I do not have further comments or questions about research, except, if you know where we can get some more money to put into the program, we'll be glad to hear your suggestions. The comparison, though, between the investment and the value of the industry that we're trying to support is an interesting comparison. Billy Ross Brown made the comparison that of the $2 billion being put into the research annually only $1 billion comes from the Federal Government, and the other from private sector sources and local government sources. That may not be enough. When you look at agriculture's total impact on our economic well-being as a nation and recognize that 20 percent of our gross national product comes from agriculture, we may not be spending enough on research.

Here in our State, at Starkville and Mississippi State University and at our experiment stations around the State, a lot of important work is being done.

Mr. Bibb mentions the computer technology and the modern technological advances that are being made and that this may be an area where we need to concentrate more attention in the extension of information from the laboratories to the farms. That's an interesting area to discuss. Whenever somebody says computer, I get nervous, because I don't really feel like I'm competent to deal with computer technology; and I think a lot of farmers are like that; and a lot of people in business today are a little leery about the computer. Do you think this is something that we are going to see some improvement in and more and more people taking advantage of easy-to-understand computer technology; or is this just a pie in the sky kind of thing? What's your thought about that?

Mr. BIBB. Well, my thought about that, of course, is we've been using computers about 7 years on our farm; and all I know about it is how to push a button on one, and that's all I need to do to get information on and out of it; and I think what scares everybody—the first thing they think about a computer is programming one. Well, that's the last thing I know about is programming computers; but I don't want to know. All I want to know is how to get information out of it; and that's the thing that we need to put our attention in is using these computers for special networks where we can receive all the up-to-date information.

For one example, we were talking about in a meeting, the cost of production that it comes out in a booklet here from Mississippi State University. We usually get it at the end of January, but the information is gathered about the first of December. If they could put this out through the computer network, then we could have it the 15th day of December, when we need it, or we could get it the 1st of December, when we could use it to make up our financial budgets to go to our bankers and lending institutions. We would have more up-to-date information quicker.

Senator COCHRAN. Well, I think this is an area that deserves more attention. The Extension Service is an organization that can make progress in this area if it is funded adequately. I think we're looking for ways to communicate more effectively and trying to put technology and information to later use.

This has been a very helpful part of the hearing, and I appreciate so much your being here and adding to it. Thank you.

Our final panel of witnesses will discuss agricultural conservation. We're honored to have with us Ray Beckham who is president of Mississippi Association of Conservation Districts; Clarence Sparks of Walls, MS; Robert Mashburn from Bolton; and Dalton Garner from Booneville, all of whom are noted for their leadership in the area of conservation.

We appreciate your being here today and helping with this part of our hearing. I would like to ask Mr. Beckham, if he would start off.

## STATEMENT OF RAY BECKHAM, PRESIDENT, MISSISSIPPI ASSOCIATION OF CONSERVATION DISTRICTS

Mr. BECKHAM. Thank you very much, Senator. I would like to say in the beginning that we didn't get your instructions as to the proper procedure here this morning until yesterday. So, we would like to make the presentation that we have here this morning and request that we be given permission to give some specific information as you requested in your letter at a later date, if that's all right?

Senator COCHRAN. That will be perfectly all right.

Mr. BECKHAM. Thank you, sir. Senator Cochran, I'm Ray Beckham, a landowner and farmer from the Mississippi Delta. I'm here today to testify before you my concerns relative to the 1985 farm bill as president of the Mississippi Association of Conservation Districts. I have served as the soil and water conservation district commissioner in the Washington County District for many years, and I sincerely appreciate this opportunity to appear before you today to express some of my thoughts concerning the problems that conservation is facing.

First, I'd like to recognize you for the fine work that you have done in representing conservation and conservation's position in the U.S. Senate. We appreciate very much the interest that you have shown and the fine work that you have done in assisting in carrying out this national program.

As 1985 fast approaches, I realize that the drafting of the farm bill is probably one of the most important pieces of legislation that will be facing this next session of Congress. I feel fortunate that conservation will have a person of your stature representing it during the drafting of this legislation.

In Mississippi, we believe that the time has come for an intense awareness program on conservation, particularly as it relates to our most valuable resources, namely soil and water. We believe that the general public is more aware now of the need for an organized program to save our soil and to preserve the quality of our water than ever before. As you know, we have launched a 5-year promotional program in Mississippi that we call HOT, hold our topsoil, to inform all who will listen of the cost of our erosion problem as well as the danger of doing nothing about it. We think that the timing of what we're doing here in Mississippi can and should mesh with the conservation portion of the 1985 farm bill. Your committee will be addressing many areas relative to conservation

in drafting this new legislation; and I would like to speak to some of these that we think that are most valuable to Mississippi.

Most of the erosion that takes place here is on sloping land that is cultivated in row crops. If these soils, which are mostly in classes 4 to 7, could be returned to pasture land or trees, much of our erosion would be checked. We realize that, under our voluntary system of conservation, the farmer is free to plant as he wishes. We do not think that government, either State or Federal, should encourage or reward those farmers who do cultivate these highly erodible soils. We think that incentive programs to plant trees and grass, as well as the Conservation Reserve Program, that will retire these erodible soils would be most beneficial to conservation, as well as most cost effective.

Our commodity programs are all designed to protect the producer from the wild swings of the market and to ensure the farmer of a fair return. Another component needs to be added to these programs that will protect our State and national interests. If we're selling a bushel of our precious topsoil with every bushel of soybeans or wheat that goes to Russia, we feel that changes should be made. To protect farmers without protecting the soil upon which our production depends is costly omission. Set-aside lands are a part of our past and present Federal programs and probably will be a part of our future programs. We do not think that these lands should be allowed to erode excessively, either by wind or water, but rather protected by cover.

Water quality is a subject that is going to be increasingly more important here in Mississippi, as well as in our Nation. Under the leadership of the soil and water commission and with the help of the 82 districts, we have developed a quality plan here in Mississippi that needs to be implemented. Since sediment is the principal culprit in moving contaminants that pollute over water, control of erosion is a necessary and timely concern that must be addressed. We feel that a coordinated—and I emphasize the word, coordinated—on the part of our Federal, State, and local governments, along with the cooperation of farmers and landowners, that we can stem this tide of this wasteful and costly erosion that's taking place.

In the same vein, it is very important to the success of programs that we do not allow the targeting of funds to disrupt the ongoing programs in our local districts. Districts and States must be allowed to do those things that they know to be reasonable and workable. Proper incentives in the farm bill could and would increase local support.

Senator Cochran, chairman of the committee, we would like to thank you very much for allowing me the opportunity to appear before you, and we hope that other members of the committee will give our comments consideration. I also express to you my appreciation for the fine leadership that you're providing in the field of agriculture.

Senator COCHRAN. Thank you, Mr. Beckham, very much. I appreciate your comments and your excellent statement. Next, we'll hear from Clarence Sparks.

## STATEMENT OF CLARENCE SPARKS, WALLS, MS

Mr. SPARKS. Senator, I'm appreciative of this opportunity of appearing before you on behalf of conservation needs in the State of Mississippi. I appreciate your willingness to serve in this capacity, and I appreciate your ability. I appreciate your understanding of the agricultural situation and your vision for agriculture in Mississippi; and so, we, in my judgment, are certainly privileged to have you serving us in this capacity.

I want to make four—at least, I'm going to make four points very briefly. You know, any sermon has three good points and a poem. I'm not going to give you a poem, but I'm going to give you an extra point. The first point is that, in your consideration, along with other members of your committee and the Congress, about new 1985 farm legislation, I'm sure that you will take into consideration the question of profit first of all. We farmers have been existing on a slim marginal profit for some time, which does not enable us to care for our precious soil resource in the fashion that we want to and that we would, if we had the cash reserves available from our farming operations. With most of our profits going into equipment purchases and other attendant expenses to our crop productions, we just simply cannot, by reason of limited financial resources, care for our land, our soil, in the manner that we want to do it; and so, a farm program that will allow us the advantage of an adequate profit margin would be a great asset in the matter of working with soil and water conservation problems.

My second point is that any commodity program that comes out of the new farm—upcoming farm legislation should be compatible with conservation programs. I think that most commodity programs are short term in a sense, as far as vision of planning may be concerned. They are adjusted radically on a year-to-year basis, which doesn't enable us to have a long-term, ongoing conservation program. One year the commodity programs would encourage production, plow-ups of land probably already in existing grasslands, planting of additional crops. Next year, limitations, set-aside acreage, and that sort of thing; but a commodity program that would be compatbile with conservation programs over a long-term period.

My third point is that I believe that conservation programs should be planned on the long-term basis. A bipartisan effort on the part of those who are charged with the responsibility of planning and directing conservation programs, given the latitude and advantage of a long-term timespan or period; and I'm talking in terms of 30- or 50-year programs. Conservation problems cannot be solved in a 5-year program. The problems are too great here in our section of the State of Mississippi, especially; and we need long-term planning, long-range planning, long-range financing to go with the program to meet its demands and needs to care for our precious soil resource. That's my third point, a long-range, full-visioned program to deal with the problems of soil and water conservation.

Fourth point is that really conservation becomes conservation when the practices are applied to the land—put on the land. Talk in conservation or conversation about conservation, theory about conservation is meaningless until it's applied to the land and when

it takes place on the land site where the problem is; and we just simply need more and additional funding from one source or another to put the land treatment measures on the land where it counts, right there where the—you know, where the rubber hits the road, so to speak; and here is where we need to concentrate. That's where our problem is, and we need additional financing. Maybe we need to look at some existing possibilities in ACP funding, cost sharing funding for practices to put the conservation practices on the land where they need to be and where they'll count for this generation and generations to come.

So, these are my four points, and I appreciate your attentiveness to my comments and remarks. Again, I say that I appreciate your service and your dedication to this service and your understanding of the agricultural situation in the State of Mississippi.

Senator COCHRAN. Thank you very much, Mr. Sparks. I appreciate your comments. Our next witness is Robert Mashburn of Bolton.

## STATEMENT OF ROBERT MASHBURN, BOLTON, MS

Mr. MASHBURN. Thank you, Senator. It is a pleasure to be here today and have the opportunity to present some information for consideration in the 1985 farm bill.

I am Robert Mashburn from Bolton, MS. We appreciate your services on the Senate Agriculture Committee, and I commend you for holding these hearings. I grow cotton, soybeans, small grain, and cattle on my farm in Hinds County. I am concerned about several aspects of the farm bill, but none is more important than soil and water conservation.

During the past few years, I have been actively involved in a number of agricultural organizations—Farm Bureau, Soybean Association, Cattlemen's Association, and others. Each of these groups recognize soil and water conservation as one of the most important issues facing this country. This is the reason that so many agencies and organizations have joined together in the hold our topsoil campaign that is now going on in our State. Last year, the statewide meeting was held on my farm with over 3,000 people in attendance.

Farmers, consumers, and the general public are telling us that we must do a better job of conserving our soil and water. The conservation, development and proper utilization of the Nation's soil and water resources is one of the most important things that can be done to assure future prosperity of this Nation. Not only are these resources essential to produce food, shelter, and clothing, but they affect most other aspects of man's welfare. As the population of this Nation and the world increases, there will be increasing demands upon the soil and water resources.

Knowing this, we have and are permitting our availability of these resources to decrease at an alarming rate, both in quality and quantity. Each year there are millions of acres of good agricultural land that is being put into irreversible uses, such as urban and built-up areas and highways. In addition, there are billions of tons of valuable topsoil being washed off the land into the stream systems of the Nation. This soil is lost forever. Much of the land has been eroding so fast that it can no longer be used for agricul-

tural production. Erosion has decreased the productive capacity of most of the hill land used for agriculture.

The responsibility for soil and water conservation does not rest entirely with the individual that attends the soil. It is the responsibility of every American. The farmer, as usual, is in a real economic squeeze. He does not have the funds to invest in something that will benefit society in future generations primarily. I believe that it is essential that the Federal Government more adequately fund the soil and water conservation program in this Nation. This is one of the best investments we can make in the future of people of this Nation.

In addition to cost-sharing funds, the farmer must have technical assistance available to help him plan and apply a conservation program on his farm. Farmers all over Mississippi are ready to do conservation work, but do not have the technical assistance available to help them. I urge this committee and Congress to appropriate sufficient funds to provide the technical assistance needed by farmers to carry out a conservation program on their farms. The Federal Government must accept the responsibility for funding conservation work that benefits society primarily. Even though the past funding or cost-sharing has been grossly inadequate, I believe that greater conservation benefits would have been received if the funds were directed more toward solving severe erosion problems. More Federal funds and better use of them is essential if we are going to maintain our soil and water resources base.

I recognize that we are in a period when cutting back on Federal spending is needed. We support the President and Congress for their efforts. There are difficult decisions to be made in making those reductions, and I do not envy you of your job of making these reductions. As these decisions are made, I hope that the conservation of our precious resources of soil and water will receive high priority in the budget process. To survive, a society must invest whatever is necessary to ensure its future. The people of this Nation must be made aware of the high risk they take if they do not pay the modest bill that an adequate conservation program will entail. We support the President's concern for having an adequate national defense program. I would like to point out that having an adequate soil and water conservation program is a vital part of our defense. We must have the strength to defend ourselves, and that strength comes from the land and what the people can profitably produce from it.

I am here today because of my deep concern about what is happening to the soil and water resources of our Nation. I am here as a father—a farmer, a father, and a grandfather who is concerned about the long-range needs of our country.

Mr. Chairman, I appreciate this opportunity to appear before your committee; and I appreciate the fine leadership that you have shown us in agriculture in the past.

Senator COCHRAN. Thank you, Mr. Mashburn, for your excellent statement. Dalton Garner, Booneville.

## STATEMENT OF DALTON GARNER, VICE PRESIDENT, AREA IV, MISSISSIPPI ASSOCIATION OF CONSERVATION DISTRICTS

Mr. GARNER. Thank you. I'm Dalton Garner, farmer and area IV vice president of the Mississippi Association of Conservation Districts. I appreciate the opportunity to appear at this hearing and make a statement about the 1985 farm bill.

Senator Cochran, I want you to know that we appreciate your services on the Senate Agriculture Committee, and I commend you for holding these hearings. If rural northeast Mississippi is indicative of a cross section of the State, you'll have this opportunity in years to come to have these hearings, so I want you to know that.

I'm a cattle producer. I produce soybeans, hay, and corn on my farm in Prentiss County. I'm especially interested in the soil and water conservation part of the farm bill.

I do not feel that I need to stress the importance of the conservation of our soil and water resources to the members of this committee. I hope that you realize that the future prosperity of this Nation depends to a large extent upon the availability of both quality and quantity of these resources. I do want to talk for a few moments about our situation in Mississippi as related to soil and water conservation.

Each year there are thousands of acres of good agricultural land being put into irreversible uses, such as urban build-up and highways. There are about 120 million tons of soil eroded in the State each year. Much of this is being washed off the land into the stream systems of the State which is lost from production forever. There are hundreds of thousands of acres of our land that have eroded so badly they can no longer be used for agricultural production. It is a fact that erosion has decreased the productive capacity of most of the hill land that is used for agriculture. It has been estimated that about two-thirds of the soil on hill cropland has been lost by erosion. Of course, this is the part of the State that I represent. In Mississippi, the average annual soil loss from cropland has reached 10 tons per acre per year. This is the third highest in the Nation. Because we are losing both quantity and quality of our resources and because there will be increasing demands upon these resources, it is apparent to me that the fuse is burning at both ends and we are on a course of self-destruction unless needed action is taken immediately. In order to combat the erosion problem in northeast Mississippi, our area held a Hold Our Topsoil field day last week in Aberdeen. We had approximately 650 people in attendance. These people came from all walks of life and are very concerned about this problem. I've attached a copy of our program as a part of my presentation.[1]

Since there have been efforts to conserve our soil and water resources for about 40 years, it is difficult for the public to understand why we have such a big conservation problem today. Of course there are many reasons for this. Up until this time, there has not been a national soil and water conservation program, and the Federal Government has not been consistent in its agricultural

[1] See p. 152 for a reprint of the program from the Hold Our Topsoil field day referred to by Mr. Garner.

policies. You will recall that only a few years ago the farmers were encouraged to grow crops or plow the land from fence row to fence row, another reason that farmers have been in a real economic squeeze in the last several years; and this has certainly been brought out here today. The cost of production has increased while the economic returns have decreased. Farmers have been forced to maximize production by expanding their operations. This has resulted in a lot of land that was once protected by vegetative cover being plowed up and put into row crops. Much of this land was unsuited for row crop production, and much of it did not have the conservation treatment applied that was needed to protect it from erosion. I believe that most farmers would like to protect their land, but simply do not have the funds needed to do so.

In addition to cost-sharing funds, the farmer must have technical assistance available to him to help him plan and apply a conservation program on his farm. The Soil Conservation Service is the primary agency in the U.S. Department of Agriculture that provides such assistance. Since 1976, the total personnel employed by the Soil Conservation Service in our State has been reduced by a total of 140 people. This is very unfortunate since we have farmers all over our State who are ready to do conservation work, but do not have the technical assistance available to help them.

One of the features that I do not agree with is the targeting of funds to designated areas. I agree that the first priority should be given to erosion control in Mississippi. However, there is an erosion problem in each soil and water conservation district in our State. As I have previously indicated, the funds for financial and technical assistance for farmers are much less than needed to get the conservation job done. It really doesn't make any difference—whether there are 50,000 acres or 10,000 acres of severely eroded cropland in a county if only a small portion can be adequately treated annually with present assistance available. As long as there is a workload in that county, it doesn't seem reasonable to decrease assistance just because there's more work to be done in another area.

I'm aware of the need to reduce the Federal budget and we support the President and Congress in this effort. As these decisions are made, I hope and trust that the conservation of our God-given natural resources will be given high priority in the budget. If America continues to remain strong, then we must maintain and protect these resources to produce the food and other supplies needed to meet the challenges that we face ahead of us.

Again, let me say that I really appreciate the opportunity to appear at this hearing. Thank you very much.

Senator COCHRAN. Thank you very much, Dalton Garner, for being here and for the good statement that you've given to the committee. I appreciate it very much. I was glad to see the Secretary of Agriculture come down here and be a part of your area meeting in Holly Springs in early August. It focused some additional attention on the Hold Our Topsoil Program. Secretary Block mentioned that all of you had been working to make the program a success. I'm glad he came, and I wanted to be there myself, but I got tied up on the Senate floor with the agricultural appropriations bill. I know it was a successful event, and I'm glad to see that you

invited the Secretary and that he was able to attend. I think the program is very good. It really does get a lot of landowners noticing a responsibility that we all share in trying to help preserve the valuable resources.

I know Mr. Mashburn's farm, as he pointed out, was the host site for the first of these field demonstrations in the State. It was the kick off program to let everybody know what "Hold Our Topsoil" was and what it was designed to do and how important it is to the future economic well-being of our State and our Nation.

I'm happy to see, too, that Congress is beginning to look for more ways to support efforts to do a better job in conservation. I think the recently passed sodbuster bill, as it was called, is an indication of interest in looking for ways to help make sure that the incentives are in the right place in the Federal law that we don't create incentives to plow up marginal and fragile lands. It's very important to guard against that. The sodbuster bill is designed, even though they're working out the differences in the House version and the Senate version, to protect fragile lands from indiscriminate or ill-advised cultivation. I think the bill is a good sign there is real interest in conservation. I think it's a good indication of the sentiment that exists in the Congress to try to be careful about how laws are written.

The fact, too, that we were able to get into a bill earlier this year a provision that Sam Nunn, Senator from Georgia, and I wrote that calls on the Department of Agriculture to study and give a report to Congress on a new program that would provide for reforestation of lands that have been put in cultivation that ought to be in trees or in some other conserving use. When soybean prices got high, we all know what happened. A lot of people were putting into cultivation lands that probably shouldn't have been in cultivation; and when cattle prices got high, people tended to put into pasture land which probably ought not to be in pasture either. We've seen the economic incentives working against good conservation practices; and so, I think Congress and the administration are now looking for ways to change these incentives. Mr. Beckham mentioned, and it would be good if there could be in the farm bill, incentives that would lead to greater support at the local levels for conservation.

I mentioned those examples that come to my mind that serve as evidence of recent action in the Congress. Now, I was wondering Mr. Beckham, since you mentioned the need for incentives in the farm bill to increase local support for conservation, are there other incentives that should be included in the farm bill that you know of?

Mr. BECKHAM. No, sir, I can't answer your question right off, sir.

Senator COCHRAN. I know that local support for conservation is important. I think probably Clarence Sparks hit it on the head when he said what we need is more funding of conservation programs. I think others, Dalton Garner, talked about that, as well as technical assistance. Mr. Mashburn points that out. We need technical assistance to landowners. Well, I'm hoping that we can have a strong conservation section in the bill. I hope other members of the committee will support such a section.

I really don't have any other questions, except if you can think of other incentives. We're going to keep the record of the hearing

open for a period of time. If any specific suggestions for inclusion in the bill come to you, include those in your statement. I'd appreciate that.

Mr. BECKHAM. We intend to do that, sir.

Senator COCHRAN. Any specific suggestions for provisions in the bill in the conservation area, I'd like to have those suggestions to be sure we don't overlook something.

Let me say this, too, that even though this is the final panel of witnesses for this hearing, we do have an additional session that is scheduled for this committee in Greenwood to hear directly from farmers engaged in producing each commodity that will be governed by the farm bill. The next hearing will be on September 5 in Greenwood at the Greenwood/Leflore County Civic Center. It will begin at 9 a.m. in the morning and any of you who are interested are invited to attend. That will be the time when we'll get into the specifics of the commodity programs.

I think this has been an excellent hearing and it has given us a good overview of agricultural policy, conservation, research and extension, farm credit, and Federal crop insurance. These are all important areas to consider and for us to understand. I heard one Senator say that he probably learned more at hearings than in any other single effort that he made as a Senator in trying to understand problems and possible solutions to those problems. The hearing process, where your witnesses are experts who have special knowledge is an excellent educational experience for Members of Congress. Well, I feel like that's true for me, too. I learn a lot every time we have a hearing where we have capable witnesses, like we have had today, discuss their thoughts and suggestions and observations about problems and possible solutions to them.

To those who have testified at this hearing, I express my genuine appreciation to you for being here and taking time out of your busy schedules to be helpful to our committee. I also want to thank those here at the university for helping provide a suitable place and arranging for the hearing. The faculty, the staff, and the administration of Mississippi State University are always very helpful and thoughtful, and I appreciate their assistance. Members of my staff who have been involved in the preparation and the arrangements for this hearing and the conduct of this hearing are also to be commended for the fine work they have done. David Graves, who is my principal assistant in the agricultural legislation area, is here at the table with me, and has been a very big help and continues to help insure that we understand Mississippi's interest in agriculture and that we do those things in Washington that are necessary to enhance our situation in the agricultural area. Carrie Laird, who is the head of our Jackson office, was also helpful in putting on these hearings, along with Beverly Ward who is here today. I want to thank Lyn York, our court reporter who is here. She's been helpful in the conduct of these hearings. We thank her for her excellent help.

I again announce that the next hearing of this committee will be September 5 in Greenwood, and until then this committee will stand in recess.

[Whereupon, at 11:30 a.m., the subcommittee recessed, to reconvene at 9 a.m., September 5, 1984, in the Greenwood/Leflore County Civic Center, Greenwood, MS.]

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# FARM AND FOOD PROGRAMS

WEDNESDAY, SEPTEMBER 5, 1984

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
*Greenwood, MS.*

The subcommittee met, pursuant to notice, at 9 a.m., in the Greenwood/Leflore County Civic Center, Hon. Thad Cochran (chairman of the subcommittee) presiding.

Present: Senator Cochran.

## STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. The subcommittee hearing will please come to order. I want to welcome each of you here today and thank you for your presence and your assistance in the effort we are making to get input into the decisionmaking process that will result in the writing of a new farm bill next year.

It's my privilege and duty to serve as chairman of the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices of the Senate Committee on Agriculture. Under the auspices of the full committee and with the consent of the committee's chairman, Senator Helms, these hearings are being held. This is the first in a series of hearings that will be held in preparation of the drafting of a committee bill. This is the third hearing held in Mississippi, the first being in Jackson and the second in Starkville. We heard at those hearings from farm organization representatives, from livestock industry representatives, from persons who could testify as to agricultural policy and on the subjects of conservation, Federal crop insurance, and farm credit.

Today's hearing will focus specifically on individual crop programs. There's no need to remind this group that agriculture is very important to the economic well-being of the entire State of Mississippi and to our Nation as well. Agriculture is our Nation's largest industry. It employs about 20 percent of the work force of our country, and it provides a net trade surplus of about $20 billion this year. In Mississippi, fully one-fourth of our work force is involved in agriculture; and last year sales of farm-produced commodities amounted to $2.9 billion. So, the writing of a farm bill next year by the Congress is extremely important to our State; and, because of that, I'm interested in getting your recommendations and your observations as to what the Federal Government

can do to help create a better environment for profit on the farm, for restoring stability to the farm in Mississippi.

I think that the general framework of our farm bill that we're operating under now that was drafted in 1981, as a general rule, ought to be looked to as a guide for the drafting of the next farm bill. I don't know that there will be any dramatic changes in policy; but there may be suggestions and proposals urged upon the Congress that would amount to a dramatic departure from existing policies and programs. Your thoughts and comments about whether or not we do need to make substantial changes, or whether minor adjustments are all that is needed will certainly be welcomed today.

We have panels of witnesses who will testify today. During the first segment of the hearing, we will be examining proposals on rice and cotton. Then we will have a short break and, in the latter part of the hearing, we will hear about soybeans, wheat, and aquaculture.

So, without any further elaboration on my part, I think that we will go directly to our first panel of witnesses who will testify on the subject of rice. The panel includes Penn Owen, who is chairman of the rice committee of Delta Council; Hobson Gary, who is chairman of the State ASCS Committee; Travis Satterfield from Bolivar County; and Knott Wheeler, also from Bolivar County. If you could come forward to our witness table, we will proceed with the hearing.

I want to express appreciation, while the panel is coming up, to those who helped make arrangements for our hearing today. Carrie Laird in my Jackson office has been involved in preparations and arrangements for the hearing; and David Graves, who is with me here today, is my legislative assistant on my staff in Washington who specializes in the area of agricultural legislation.

We will proceed to have presentations from the witnesses; and, after each has made a presentation, then we'll have an opportunity for questions. We thank you for preparing written statements in advance, and we will make those a part of the record in full and encourage you to make any summary comments from those statements that you desire.

Penn Owen, you may proceed.

## STATEMENT OF PENN OWEN, CHAIRMAN, RICE COMMITTEE, DELTA COUNCIL

Mr. OWEN. Thank you, Senator Cochran. My name is Penn Owen. I am a rice, cotton, and soybean producer from Tunica County. I serve as chairman of the rice committee for Delta Council. Policies adopted by Delta Council relating to farm programs represent the input of more than 4,000 members from the 18-county area of northwest Mississippi served by Delta Council.

First, we would like to express our appreciation to you, Senator Cochran, for holding these hearings in order to obtain input from farmers in your preparation for the 1985 farm bill. We are grateful for your leadership, which you have provided in securing passage of the Agricultural Act of 1981, and fully recognized that you are

continuing to represent the agricultural interests of the State of Mississippi in a very capable manner.

Since rice is the number one food crop in the world and U.S. rice production represents approximately 50 percent of the world export market, we would like to call special attention to the need for the U.S. Department of Agriculture to utilize the various export credit program available to them in an effort to secure and maintain the orderly marketing of U.S. rice. In the absence of an effective export program for U.S. rice, it is our belief that no farm program can provide the necessary assistance for U.S. farm income in rice production. While we recognize that the strength of U.S. currency is placing a heavy burden on the Department of Agriculture and the administration, insofar as competing in world markets, we are convinced that the efficiency of the U.S. rice producer, combined with the proven success of the Public Law 480 programs and blended credits, places U.S. rice in a competitive position in the marketplace.

In conjunction with an ambitious U.S. export program, we feel that we should maintain a market-oriented domestic farm program designed to reflect the basic concepts of the Agricultural Act of 1981. There will need to be modifications and improvements incorporated in the rice provisions in order to insure that the CCC price support will be maintained at a market-clearing level. The Commodity Credit Corporation loans should be relative to the market price received by farmers without jeopardizing the competitive position of the commodity in domestic or export markets. The loan rate should not guarantee a profit, but rather be set at a level that will help stabilize prices.

Delta Council strongly urges that target price provisions should remain as a part of farm program policy for rice. We believe that target prices should be related to the cost of production and that target provisions should be dormant when market prices are at favorable levels. Rigid and arbitrary ceilings placed on the limitation of program benefits are counterproductive in achieving needed supply adjustments in rice production. In order to have a positive effect on production adjustments, we ask that some study be initiated to provide acceptable solutions to the program limitation problems faced by American rice growers.

We appreciate the opportunity to appear before you today and in conclusion express our gratitude for your keen interest in preparation for the Agricultural Act of 1985. Thank you.

Senator COCHRAN. Thank you very much, Penn Owen, for your excellent statement. Hobson Gary, our erstwhile chairman of the ASCS.

## STATEMENT OF HOBSON GARY, MISSISSIPPI CHAIRMAN, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Mr. GARY. Thank you, sir; and I want to ditto what Penn said about the job you're doing and how much we appreciate it. You're invaluable to us and we need you.

My comments are along the line of the updating of the program as we have it now with maybe one comment on the end. As far as the Acreage Reduction Program and the Cash Land Diversion Pro-

gram, the Secretary is required to go up to 25 percent, of which 5 percent is the Land Diversion Program—I mean, a paid diversion program. It's my opinion that it's necessary that we have this program right now. I have no quarrel with the various options that are being floated around in the Department of Agriculture; but I do think that any acreage cut exceeding 30 percent would be extremely harmful to rice producers. We need in the 1985 farm bill to get a distinction between long grain and medium and short grain rice, because, when we're talking about long grain and medium grain, we're talking about peaches and pears. They're two different crops, and they're two different markets and two different groups buy them. Of the 1983 production, 17 percent was short grain; but, in the ending stocks, over 50 percent were—carryover was medium grain, which is saying in another way, Senator, that our long grain is selling. Our short grain and our medium grain is a problem to the market right now.

The target price of $11.90, according to amended legislation is acceptable to me.

As far as loans and purchase rate, the 1985 crop—I mean the 1985 program shouldn't be any lower than the $8.93 that's in the bill right now. I hope we can at least hold that much. I don't think a lot of—well, a lot of crops are in trouble, but rice is one of them; and the loan price is helping us at this time. It is understandable that the Secretary will probably push the loan down to $8, which is his requirement; but, maybe in the new bill, we can set a more realistic figure. Another problem that we have, a support price that's higher than world market price also creates extra sales from foreign countries. Some of the rice that our group is selling right now goes into Saudi Arabia. The Thais are offering rice of similar quality, not quite as good, but half price of what we're offering right now; but our floor is holding the market up so the Thais can go in there and take our market.

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The establishment of a 1985 rice base I think is very important. We need to curtail production at this point until we can get our sales back up, and then we can release the rice acreage base; but we need to establish a strong base for these farms based on what we've got right now.

I support the Department's position on planting—of not planting alternate crops on set-aside acreage, but do support haying and grazing in emergency situations. I mean, in the State, we've had wet situations and we've had dry situations that have demanded, this year and last year, that we let them use that extra acreage for haying and grazing.

I'm probably in the minority on this, but I'm definitely in favor of no offset compliance. If we're going to control production, we can't have offset production. Now, this is my opinion and my opinion only, and I'm probably in the minority in the industry on this; but, if we're going to control production at this time and if we're going to get the price of rice back up, we've got to be able to tell how many bushels are going to come out of the pipeline on the other end. I personally believe that any person who signs up in the rice program in 1985 or 1986 or wherever, once he signs it, he is bound by that contract, and that will improve the effectiveness. I

mean, it needs to be understood, and I think Secretary Block got it over real good, and that the candid camera snaps the day that sign-up is over. You're either in or out of the program.

Another controversy that has arisen this year is on loan maturities. I'll kind of summarize these remarks I've got here. We need a program similar to what we have right now, where we have a cutoff date of April 30 for taking over loan rice by Government. If we have a staggered date as some are pushing right now, California will have one date, south Texas will have a date, Louisiana will have a date, and it will also allow the market to come in there and pick us off one at the time. We need one loan maturity date as we have now and would like to keep it like that.

The one exciting program that I've heard floated around is the program that was presented to us down in Jackson last week by Boutwell on a new program based on a loan price. This is so simple it almost boggles the mind. I guess it's too simple for us to consider, but it's a good program, and I think it's worthy of some study.

I thank you, sir.

Senator COCHRAN. Thank you very much, Hobson Gary, for an excellent statement and the thoughtful presentation that you've made to us.

Travis Satterfield.

**STATEMENT OF TRAVIS SATTERFIELD, BOLIVAR COUNTY, MS**

Mr. SATTERFIELD. Thank you, Senator Cochran. My name is Travis Satterfield; and I am a rice, soybean, and catfish producer from Bolivar County. Rice is my principal crop, and Bolivar County produces more rice than any other county in Mississippi. This year we have in excess of 60,000 acres, which is second in our county only to soybeans, so rice is an important crop to me individually and to my county and my area.

As a farmer, we're deeply concerned about the future of producing rice economically and maintaining a competitive position in the world rice market. Approximately 4 million acres of rice are produced in the United States each year; and, of course, this varies depending upon Government programs and market conditions. Today, U.S. rice represents almost 4 percent of the world's production. However, the United States is a major exporter of rice in the world marketplace. Since rice is the No. 1 food product in the world, we have a healthy long-term outlook for the future of rice production; but we have some short-term problems.

Unfortunately, the combination of factors, such as the strong U.S. dollar, burdensome carryover of U.S. rice stocks, and a system of subsidized foreign agriculture in rice-producing countries contributed to the economic hardship and depressed prices experienced by U.S. rice producers in recent years.

Insofar as proposed recommendations for improving the farm program related to the Agricultural Act of 1985, we urge Congress to maintain a market-oriented farm policy; and especially with rice, which would maintain a Commodity Credit Corporation loan set at market-oriented levels which would ride tandem with a target price concept similar to what we have today. The loan level should provide a safety net whereby U.S. producers could expect

some return on his investment when the trade policies of the United States do not provide for a competitive position for U.S. rice in the world marketplace. However, the loan should always be set at a level so that it does not interfere with orderly marketing or in any way influence the market price of rice.

The target price concept is an essential component of the U.S. farm policy, and it should be related to the variable cost of production. Furthermore, target price provisions should only be triggered during periods when the marketplace does not supply a profitable level for rice producers during that current crop year. Target prices should be inoperable during those times when U.S. trade policies conform to competitive marketing of U.S. rice.

As a rice producer, I'm firmly convinced that there is no farm program for rice which would be successful without a firm and aggressive role by the U.S. Government in export policy. I think this is the key to the success of our rice industry is how well we are able to export. While the American rice grower continues to be the most efficient rice producer in the world in terms of cost of production, there will be no profits for U.S. rice producers unless the Department of Agriculture takes an aggressive position in the world marketplace. We will continue to urge the Department of Agriculture to utilize the tools already available to them, such as Public Law 480, interest buydown provisions, export-import bank credits and other export enhancements to assure U.S. rice producers that the trade channels will be open to us in the world market.

Senator Cochran, we genuinely appreciate your influence and taking time from your busy schedule to come and hear our comments today. We're grateful for your leadership in these matters relating to agriculture in the U.S. Senate, and we appreciate the opportunity to speak to you today.

Senator COCHRAN. Thank you very much, Travis Satterfield, for your good statement. Nott Wheeler is our other panel member.

Mr. Wheeler.

### STATEMENT OF NOTT WHEELER, JR., BOLIVAR COUNTY, MS

Mr. WHEELER. Thank you, Senator. My name is Nott Wheeler, Jr., and I am a rice producer from Bolivar County. We appreciate you focusing attention on the future outlook of national foreign policy affecting the income of rice producers in the State of Mississipi. Prior to commenting on the program features of any future agricultural legislation, I would like to point out that Mississippi rice growers are contributing funds through a checkoff system toward market development and research as a step to provide a self-help program for farmers. The checkoff funds provide supplemental money to augment USDA and Mississippi Agriculture and Forestry Experiment Station research located at Stoneville. Also, a portion of the funds collected through the farmer-financed checkoff program applies toward a national market development program for rice. I wanted to preface my remarks by pointing this matter out, since research and market development are of key importance to the future of U.S. rice growers.

For several years, rice producers have been bearing the burden of excessive carryover stocks which have translated into depressed

market prices for U.S. rice. Although most rice produers have complied with the policies and guidelines set out in the Agriculture Act of 1981, and reduced planted acreage, we continue to increase these burdensome stocks of high quality U.S. rice.

The innovative Payment-In-Kind Program was a success in reducing surpluses of U.S. rice. However, it appears that we are experiencing a steady increase in carryover stocks of U.S. rice approaching the level of surpluses that existed prior to the implementation of Payment-In-Kind Program. Mississippi rice producers are some of the most efficient growers in the entire world, yet, without an export policy which would utilize the export credit programs that are available, the Mississippi rice producers will not be able to make a profit on rice production. If the necessary steps are not taken to reduce burdensome stocks through the utilization of our existing export credit programs, U.S. rice producers will not be able to compete with the sophisticated agricultural subsidy programs being implemented by our foreign competitors.

Regarding the 1985 rice program policy, I would like to echo some of the comments of the other panel members in that we need to continue to support a support for a market-oriented farm policy consisting of a loan level that will not interfere with domestic or export markets, but rather serve as an orderly marketing tool, and target price provisions tied to the cost of production. Target prices set at a variable cost of rice production should not expose the USDA to any farm cost, unless market prices sustain at the current low levels.

I would like to applaud the administration for issuing strong opposition to embargos and export controls. Export controls and moratoriums on foreign trade have no place in a free society, and a market-oriented agricultural policy cannot function effectively unless farmers have full and free access to both domestic and export markets. There should be no embargo or other restriction on sales and shipments of farm products to any foreign country, except during periods which have been declared a state of national emergency by the President under the guidelines outlined by the Congress, together with an embargo of all U.S. exports to such foreign countries.

Senator Cochran, I would like to thank you for allowing me to appear before you today, and we continue to be grateful for the effective role you have played in representing rice producers in Mississippi. Thank you.

Senator COCHRAN. Thank you very much, Nott Wheeler. I appreciate your being a part of this panel to lead off our hearing today. I think a common thread runs through each of the witnesses testimony this morning, and that is that the Federal Government can be a big help in improving the economic condition of rice farmers if it would stay with a very aggressive Export Assistance Program; and I'm glad to see that recently we got approval in Congress for appropriations for the GSM 102 Export Credit Program that will make available $5 billion in 1985. This was the program that was funded at a level of $4.5 billion this year. I supported enthusiastically the increases in these export credit programs, because it helps finance sales in countries where cash is not available to pay for the rice purchases. Public Law 480, of course, is also very important

and is going to be funded at levels which I hope will mean that we'll end up selling more rice next year and making concessional sales in greater quantities than were possible this past year.

In reference to the loan rate and the difficulty that that might present in letting competitors sell right under our level—our market price in overseas competition, should we give the Secretary more flexibility or should the Congress continue to set these levels trying to look into the future and project what the costs of production are going to be and what will or will not be a market clearing price at sometime in the future? That's one question that will confront the committee and will be considered as we move toward the drafting of the new bill. Should the bill be a 4-year bill? Is it possible for anybody to look that far down in the future and figure what a loan rate and what a target price ought to be, or should we have a bill of shorter duration? Those are appropriate questions and I wonder if any of you have any observations about either one. Hobson, do you?

Mr. GARY. I think the Secretary should be given more discretion, because you think back to the time when we passed the 1981 farm bill. Those conditions don't even resemble what we have today, and I mentioned the long grain and the short grain rice problem. The Secretary could effectively deal with that, if he had more discretion at this point; and I personally favor the 4-year bill, and I favor letting the Secretary have more discretion.

Senator COCHRAN. Any of you have any observations about that?

Mr. SATTERFIELD. I think he's right, Senator Cochran, as far as I think a 4-year bill is good, because it gives the producers something to sort of—that he can—farming is a long-range business for a producer, and he makes investments based on farm programs; and, if he's got some idea, I think it's helpful. I do agree that the discretion should—that the Secretary should have some discretion in adjusting loan rates; and, of course, we see a projected, I think in 1981—which we're talking about a $3 billion cost in farm programs, and we're going to wind up this year about $11 billion, so it's a lot of variables, but I still think a 4-year farm bill has a lot of benefit.

Senator COCHRAN. With respect to the payment limitations, that was another comment that was made by at least two members of the panel. That is a very troublesome political problem in terms of trying to get the votes in Congress to make a change in that figure. Currently we're operating with a $50,000 limitation; and I recall situations that have arisen just in the period of time that I've been in the Senate where almost invariably, if you have a farm bill on the floor of the Senate, somebody has got an amendment to offer to reduce the payment limitation from $50,000 to $20,000 or some other figure. I know this last year when we had the farm bill on the floor of the Senate that was making some adjustments in target prices and loan rates in wheat programs, specifically, and adding funds for export financing, that was a real threat. I remember Senator Carl Levin from Michigan had such an amendment. It never was offered, but it was a threat hanging over the discussions. What limitations would be more appropriate? I suppose we might suggest anything above $50,000 would be better than $50,000. Is there any unanimity or recommendation about that?

Mr. SATTERFIELD. I think we should—personally, I think we should not have a payment limitation.

Senator COCHRAN. That issue came up in the dairy program. They had this dairy incentive program to reduce production, because the dairy program had gotten to the point where it was costing $2 billion a year; and the farmers were overproducing for the market. The Government was just buying more and more of the surplus product. The idea was to provide a payment to farmers for cutting back, and the limitation issue arose. The facts were that, if the larger farmers weren't provided the incentive, no amount of incentive was going to get a significant level of milk out of production if you just dealt with the small farms. The fact of the matter is, if you don't have everybody participating in the program, the program is not worth anything. Just like in the acreage reduction programs, if you just have the very small farms participating in it, you're not going to cut back much production; and I guess that's what the basis of your argument is or your suggestion?

Mr. SATTERFIELD. You may have some more current figures; but the figures I have are that 71 percent of the producers produce 13 percent of the production; and so, we're looking at—and what a lot of people don't realize in Congress is that most of these—this 71 percent of the farmers have off-farm jobs which produce really their main source of livelihood; and farming is sort of a sideline. So it puts us who, our total livelihood is dependent upon our farm production, it puts us at a little bit of a disadvantage when we're dealing with a larger percentage of farmers, which is 71 percent only producing 13 percent of the goods; and whereas 29 percent produce 87 percent of the total product. So, it's—a lot of people don't realize that when they're dealing with the programs.

Senator COCHRAN. Well, I appreciate very much your contributions to the hearing and being the leadoff witnesses this morning. I think you've gotten us off to a good start; and I genuinely appreciate your being here and your helping the committee in this way. Thank you very, very much.

Our next panel consists of witnesses who will testify concerning the cotton program. They are B.A. Jordan, president of Delta Council; Woods Eastland, chairman of the board of Staplecotton; David Mullens, a farmer from Coahoma County; Kenneth Hood, who's from Gunnison. He's chairman of the cotton committee of the Mississippi Farm Bureau. If you would come forward. I appreciate very much your being here this morning. We'll start off with Bull Jordan.

## STATEMENT OF BERNARD A. JORDAN, PRESIDENT, DELTA COUNCIL

Mr. JORDAN. Thank you, Senator. Even though this is cotton panel, I'm going to direct my remarks to Delta Council's position on the overall farm program, rather than just confining it to cotton.

My name is Bernard A. "Bull" Jordan. I'm a farmer from Yazoo County, MS, and am serving this year as president of Delta Council, an organization supported by dues-paying members representing the argicultural, business, and civic leadership of 18 Delta and

part-Delta counties of Mississippi. Agriculture is of great importance to the economy of our State and our principal crops are cotton, soybeans, rice, and catfish.

I would like to express our appreciation, first, to you, Senator Cochran, for the very effective manner in which you are serving the interests of agriculture in the Senate of the United States.

The fact that agriculture is the Nation's biggest industry and is also the Nation's largest employer illustrates the importance of agriculture to our national economy. Farm assets are equal to about 70 percent of the capital assets of all manufacturing corporations in the United States. Approximately 23 million people are employed in some phase of agriculture, from growing food and fiber to selling it at the marketplace. This means that the national welfare is highly dependent upon a healthy, prosperous agriculture. This also means that the development and passage of an effective farm program to take the place of the Agricultural Act of 1981 which will expire next year is of key importance to every person and every business in the entire Nation.

The impact of inflation, high interest rates, a worldwide economic recession, and back-to-back years of unfavorable weather conditions have created serious problems for the U.S. farmers. Market prices have been at low levels, export markets have eroded, and unprecedented debt carryovers have caused serious strains on both individual farm financial resources and the ability of farm credit agencies to effectively serve the agricultural section of our Nation.

In response to these programs, the Secretary of Agriculture invoked provisions of the Agricultural Act of 1981 designed to help balance supply with demand and provide for orderly marketing. He acted boldly and with great courage in using the powers provided by Congress to initiate the Payment-In-Kind Program as an expediency to help bolster farm income during a time of great and urgent need and to effectively reduce burdensome crop carryovers in a timely and economic manner. The Secretary is to be commended for his initiating and implementing these programs and for using the authority provided by Congress to minimize the adverse effects of a worldwide economic recession and chaotic weather conditions on American agriculture. I believe we should recognize the fact that conditions would have been much worse without the Agricultural Act of 1981 and had the Secretary failed to act promptly and aggressively.

We are confronted with the need for enacting agricultural legislation in 1985. While the current farm bill is not perfect, we believe that the concepts of the program provided in the Agricultural Act of 1981 are sound and that they should be extended with appropriate modification to increase effectiveness and to reduce costs where possible.

For cotton, rice, wheat, and feed grains, we urge the continuation of price support programs as orderly marketing tools and the retention of target prices at economic and realistic levels. For soybeans, we recommend the continuation of price support provisions provided in the Agricultural Act of 1981.

CCC loan rates should not guarantee a profit but be set at levels that will help to stabilize market prices during the harvest season

without jeopardizing the competitive position of the commodity in either domestic or export markets.

Target price provisions should be triggered only when market prices drop to disastrously low levels and should be related to the costs of production. When market prices are at favorable levels, target price provisions would be inoperative.

A high level of agricultural exports contributes to favorable commodity prices which permit farmers to obtain their income from the market. In recognition of strong export markets for the U.S. products and of the importance of agricultural exports in maintaining a favorable balance of trade, the expansion of exports for U.S. farm products shoud be one of the No. 1 objectives of the new farm bill.

That concludes my remarks, Senator. I appreciate it.

Senator COCHRAN. Thank you, Mr. Jordan, for your statement and for being here as part of this panel. Our next witness is Woods Eastland.

## STATEMENT OF WOODS EASTLAND, SUNFLOWER COUNTY, MS

Mr. EASTLAND. Mr. Chairman, my name is Woods Eastland, and I'm a cotton, soybean, and rice farmer from Sunflower County, MS.

Basically, I believe that the concept of farm programs provided in the Agricultural Act of 1981 is sound and that they should be extended with appropriate modifications to increase effectiveness and to reduce costs.

A loan is an invaluable tool to orderly marketing that helps to stabilize market prices during the harvesting season; but the loans should not be set at such a level as to jeopardize the competitive position of any commodity in either domestic or export markets. A formula tying the loan level to variable costs of production should meet the twin objectives of stabilizing harvest season prices and assuring that the market eventually will clear the supply.

Target prices, also, as an income maintenance program, have helped to maintain the liquidity of many American farmers. Yet, target prices should be related to the total cost of production and not set at any administered level that might artificially increase or decrease planted acreage above or below what the market is calling for. If compliance with set-aside or other land diversion programs is a requirement for receiving target price protection, participation should remain voluntary and not mandatory. In addition, limitations on target price payments, while perhaps politically necessary, serve only to prevent the larger growers from participating in acreage reduction programs; thus, thwarting the supply-reducing effectiveness; and, therefore, possibly increasing total program cost.

As to the concept of cropland bases, a problem has developed in cotton under the provisions of the 1981 act for increasing one's cropland base. The national base has grown to the size that average yields on all the base would produce more than the roughly 12½ million bales per year of U.S. cotton that is used on average domestically and in export. The new act should prevent farmers from further increasing their cotton base, or else we may be faced with a situation where we would have limitations on cotton acreage most years.

Of course, these comments above are all presupposing that we will have a farm program in 1986 similar to what we have now. All of us have heard from a vocal minority to do away with our farm program and to grow only for the market. However, a farm program is justified on its own merits and not merely because we have had one ever since the thirties.

Agriculture is America's largest industry, employing more people than any other sector of the U.S. economy. Agriculture also is America's largest exporter with dollar value of exports estimated to be $38 billion this year, down from $44 billion in 1980–81. However, USDA economists estimate that each dollar received from agricultural exports stimulates another $1.05 worth of business activity for the rest of the economy. These agricultural exports alone generate more than 1 million American jobs with one-half of these on the farm and one-half in assembling, processing, and distributing agricultural products for export. Yet, we are not selling in export against foreign competition that produces merely for the market. Our goods must compete against foreign grown and subsidized commodities, against foreign trade barriers, and against commodities produced in State-controlled economies where agricultural production is seen as a way of giving employment, regardless of its profitability as measured by traditional accounting standards.

Second, the agricultural production sector has had to carry a significant part of the burden of the monetary and fiscal policies pursued by this country since the early 1970's. When our national policy was to create jobs through highly stimulative fiscal and monetary policy, high rates of inflation resulted. This adversely affected farmers, because we, on a national scale, are tiny businesses who buy our input generally from huge businesses and who sell our products generally to huge firms. In an inflationary economy, each firm is competing with its suppliers and its customers to try to pass to them its inflationary cost increases. We farmers, running tiny fragmented businesses, could not pass on our cost increases; and, therefore, in addition, ate a lot of everyone else's. The result was that our costs went up faster than the prices of our products, and our financial statements weakened. Since the early 1980's, we have pursued a national policy of trying to create jobs through a highly stimulative fiscal policy and trying to control inflation through a somewhat restrictive monetary policy. The policy has worked well. However, even America apparently cannot get something for nothing. The price of this policy is being paid by the industries in our economy dependent on exports for a profit, due to the resulting high real interest rates and the strong dollar. Of course, agriculture is the largest of these.

Mr. Chairman, you know the figures on how high a percentage of U.S. crops must be sold abroad if they're going to be sold at all. Rice, soybeans, wheat, cotton, in most years, 50 to 60 percent of each. Yet, we are pursuing national economic policies which suppress foreign demand for U.S. products, and which increase, therefore, program costs, making the agricultural sector pay for a large part of the national economic successes we have enjoyed of late. We in American agriculture can compete with the world. However, in recognition of the fact that national economic policies can disproportionately and adversely affect farmers and of the fact that

much of our farming competition is protected and subsidized, we ask for a farm program that will continue to stabilize prices at critical times and to give some degree of cost protection. Further, we ask for a national policy that will guarantee us the right to sell what we produce abroad and will help us in developing export demand for our products using every tool available. The problem of the strong dollar, most likely, will be corrected eventually in the market. That, coupled with efforts made now to help U.S. farmers to produce and to market overseas what we produce, will be the best boost to farm income possible.

I want to join, also, Senator Cochran, the other panelists in thanking you for your efforts on behalf of Mississippi farmers and U.S. agriculture.

Senator COCHRAN. Thank you very much for an excellent and very thought-provoking statement. David Mullens, you are next.

## STATEMENT OF DAVID MULLENS, COAHOMA COUNTY, MS

Mr. MULLENS. I'm a Mississippi, Coahoma County, cotton, soybean, and rice farmer, and I certainly appreciate the opportunity of being at the hearing today.

Others have talked about the farm program provisions for the new farm bill. We've talked about exports and how significant they are and the many areas that are needed to be discussed before the bill is written. I would like to focus my attention on the importance of fully—a full adequate program of agricultural research programs. So, I chose a very easy delightful topic that we all would be in favor of, of course, strongly supporting and getting behind.

We've been told how big agriculture is and how important it is, significant in our area. We farmers and you related people who are here today take pride with us in the productivity of our farms. You know, we just sort of swell up with pride and like to be a part of that. We're told that only 16 percent, in this day of inflation and what have you, that only 16 percent of the money available to a family in the United States goes toward fiber and food; and I think we take equal pride in that, and all of that 16 percent is not from us. There are middle men and what have you involved in that, so we are a proud part of the United States; and we want to continue to strive for that productivity and cost of production and so forth so we'll be able to continue where we have been.

The ability of U.S. agriculture is heavily affected by the development of technology through research, and that research comes through our land-grant universities which we have in Mississippi. It comes through the USDA, and it also comes through a very significant part played in disseminating that technology to me and to the individual farmers in the country through the Cooperative Extension Service.

I come here today with some expertise, maybe not much, but with some. I've been farming for 18 years outside the United States in another country; and I won't bore you with that information today, but I'm here to tell you that the information I'm given in Coahoma County, MS, to help me farm, to grow crops, is just unbelievable; and certainly this information, this technology that has made us strong throughout the world in agriculture has come down

through these entities that I've just mentioned and have been such a part of what we're doing. What we're concerned about, deeply concerned about, and one of the reasons we're here today is we farmers, are we not, having difficulty making ends meet. Twenty-five years ago, 54 percent of my gross income was expenses. Today, or in 1974, 71-percent of my gross income was expenses. I don't know what it is today. I'm afraid to find out.

What I'd like to just point out in my brief remarks is that only about 2 percent of the Nation's research and development budget is now allocated to agricultural and Federal budgetmakers; and we're on the leading edge in cutting and so forth; and you know this better than anybody, they're whacking away at it; and what I have to say to you today and the farmers here, without question, I know support me, is that we thank you for continuing to see that they do not cut this away, that technology, that all the research information, that you continue to see that those appropriations are there; and I say to you, also, that I expect to give my part. I say to you that the farmers here expect hopefully to give their cotton check-off. I say the rice farmers intend to give their part per bushel. Hopefully, in the future, other agriculture-related businesses, these tractor companies and so forth that produce, hopefully, all of us will be working together in a program where research would continue to keep us the best farmers in the world with all the other things that we hope—that we intend to have going for us.

We're greatly concerned that there are fewer scientists involved on projects today than there have been. Also, research work at land-grant universities and State agricultural stations has been sliced; and there's a leveling off period. Had it not been, of course, for leadership like yours and others in the Congress, it would have been more significant; and we thank you for that.

The people who, in the end, are receiving the benefit from the facts that I've told you in this committee that 16 percent of the income goes for food and fiber—the people who really will benefit in the end, of course, will be the consumer; and we thank you again, Senator, and know that you'll be on our team in research.

Senator COCHRAN. Thank you very much, Mr. Mullens, for your statement. Kenneth Hood is our final witness as a member of this panel. He's chairman of the cotton committee for the Mississippi Farm Bureau.

## STATEMENT OF KENNETH HOOD, CHAIRMAN, COTTON COMMITTEE, MISSISSIPPI FARM BUREAU

Mr. HOOD. Thank you, Senator Cochran. As you just mentioned, my name is Kenneth Hood. I'm a cotton farmer and a ginner from Bolivar County, MS; and I am Farm Bureau's State Cotton Committee chairman. The Mississippi Farm Bureau is represented in each of the 82 counties of the State. With this wide array of input, Farm Bureau continues to be an advocate of a market-oriented farm policy. Farm Bureau supports future farm programs that will lower interest rates, reduce Federal spending, and generate more export trade, which will in turn help farmers farm for a profit.

Mr. Chairman, I appreciate this opportunity to appear before this subcommittee on agriculture to discuss the Farm Bureau's position and policy.

The present Farm Bureau policy supports a farm program which favors continuation and expansion of the export credit programs and would favor the development of an export climate to allow U.S. cotton exports to compete on an equitable basis. For an example, one bale in five is all that comes back to this country in the form of textiles. That is, we have one U.S. bale coming back and four bales from overseas. That's a 20-to-80-percent ratio.

Farm Bureau policy supports a farm program which includes the concept of loan levels and target prices. Target prices are designed to maintain stability when there is a surplus building and production controls are necessary. This reduces the risk to farmers and gives some protection to farmers when Government agencies fail to operate properly. Of course, when they fail to operate properly, what do we have? We have falling prices back to the farmer. Farm Bureau feels that loan prices should be adjusted annually based on prices received by producers. We realize that high loans would force mills to synthetics, would hurt our exports, and would cause high production here at home. So, we realize the facts of that. We also realize that low loans are going to break the farmer, because, under low loan prices, of course, there's no loan money for production money back to the producer.

We support a farm program which opposes the $50,000 payment limitation. Since approximately 12 percent of the farmers grow about 75 percent of the products, the $50,000 limitation inhibits acreage reduction. I might add that 48 percent of the total cotton acreage in Mississippi is affected by the $50,000 payment limitation.

Senator COCHRAN. How much is that?

Mr. HOOD. Forty-eight percent of the total cotton acreage in Mississippi is affected by the payment limitation.

We support a farm program which would let paid land diversion payments be eliminated as part of this $50,000 limitation. Land diversion could be considered a conservative practice and payments made for conservation. An example, with the projected crop that we have now for 1984 in cotton, we probably will see the trigger activated that was written into the 1984–85 program. A 3.7 million bale carryover in 1984 would trigger a 27¼-cent-per-pound payment in 1985. So, we're going to be working against this $50,000 payment limitation even at a greater respect or a greater aspect.

We support a farm program which reduces the incentive for overproduction. In other words we oppose producers having the authority to increase their cotton base during any year an acreage reduction program has been announced.

We support a farm program which would give our system a shift in emphasis directing funds toward increasing markets for our agricultural products overseas. Domestically, we need a stable marketplace with an efficient balance between supply and demand. We prove each year that our domestic production will outrun our domestic consumption, so really the only other answer we have and the cheapest answer we have is to increase overseas markets.

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We support a farm program which supports a policy that lets farmers farm for a profit. For example, back in the sixties and early seventies, just picture a farmer and his sons. The farmer and his sons worked their land in the sixties and seventies. They made crops much as we make them now, but they made a profit at this time; and they did it at a time when interest rates were low, land prices were stable, land rent was stable. We had no embargoes or threats of embargoes at this time, and the price that they received for their products at this time was fairly stable. This farmer was able to show a profit in his operation during this time. He kept those sons on the farm, and he helped them set up in their own farming operations. Under today's farm and economic situation, there is no way to help our children get started in farming. What we need is enough foresight in a new farm program to interest these young people in farming; and the key to being able is to farm for a profit.

In 1970 there were 198,000 cotton farmers nationwide. In 1984 there were only 38,000 cotton farmers.

Mr. Chairman, we recognize the great challenge you have in the development of a workable farm bill. Farm Bureau hopes you will call on them at any time that we may be of service to you.

Thank you.

Senator COCHRAN. What was the year when you said there were 198,000 cotton farmers?

Mr. HOOD. In 1970.

Senator COCHRAN. In 1970, and in 1984 that number had dropped to 38,000?

Mr. HOOD. 38,000 cotton farmers. Those are rounded figures.

Senator COCHRAN. Yes; I think that illustrates what's been happening on the farms better than any other figures that I've heard.

I appreciate very much your excellent statement and the presentation that you have made and all of the members of this panel. There is no question that, in order for cotton to continue to be an important part of our economy here in Mississippi and in the country, we're going to have to ensure that we're able to compete effectively in the overseas markets. I think that was one common sentiment expressed in that we're going to have to be able to sell 50 percent, at least, of the cotton that we produce in foreign markets or we're not going to be able to survive, that's absolutely essential, if I understand the testimony correctly. My question is, with even the fewer number of cotton farmers, apparently we see a threat from the increase in the cotton base acreage, the amount of acreage planted to cotton. Do we have the tools necessary to continue to expand these markets overseas and compete effectively with competitors for an expanding amount of business; or do we have to cut off the amount of cotton that's being produced? Do we have to restrict the amount of acreage that's being planted to cotton?

Mr. HOOD. I think it's got to be a combination of the two.

Senator COCHRAN. A combination of the two. OK. I thought it was interesting the statement you made—it's similar to ones that Woods Eastland made—about not permiting any expansion of cotton acreage, particularly in the year when you have an acreage reduction program announced. That makes sense to me. Why try to

be reducing acreage and then permitting base acreage expansion? Is there a counterargument to that?

Mr. JORDAN. I think that goes back to your limitations. When you hit your limitations, then they're going to expand. $50,000 to a big farm doesn't really concern him. He's talking about thousands of acres, and I don't think he's going to go into a program with limitations. It's proved that it hasn't done it. That's where, out in Texas and California. I don't know the percentage of participation in the program, but I would think that those bigger farms would not go in the program, and that's where we're getting a lot of our production.

Senator COCHRAN. And it's these areas of the country, too, that have expanded so much with irrigation and other mordern technology being utilized. They're now planting desert out there in cotton, and that's a problem for us here in Mississippi.

Mr. EASTLAND. Senator Cochran, the figure I've heard, and this came from the National Cotton Council. I couldn't vouch for it independently. Is most of the increase in the cotton base acres under this current act is in the Southeast, from here to the Atlantic.

Senator COCHRAN. Not in west Texas?

Mr. EASTLAND. Some in west Texas; but, looking as a percentage to the base they had in 1981, in percentage terms most of the increase has occurred in the Southeast. This was an area that left cotton in the seventies and realized they made a mistake and was trying to get back into it.

Mr. JORDAN. Woods, that comes, don't you think, from the low commodity price on the opposite side. They're getting into it, because they can't make any profit in beans and can't make any profit in rice. They can't make a profit in wheat, so they jump into cotton.

Senator COCHRAN. Maybe they went to beans when beans were $9?

Mr. JORDAN. Now, they're getting out of beans with $6.

Senator COCHRAN. What about the suggestion that I've heard from time to time from farmers that we need to take more acreage out of production generally, and have an incentive program like the Soil Bank Program, where there is a way to justify taking acreages out of production, putting it in pine trees or some other conserving acreage? That probably wouldn't be appropriate here in the delta region of the State; but you get over into the other parts of Mississippi, that's being discussed and recommeded as an option.

Mr. HOOD. Why not take those same total dollars you're talking about—I don't know what figure you're talking about—and put it into a paid land diverson and take this cotton, rice, and program crops out of production with your paid land diversion and try to get it to where it does not count against $50,000 limitation, and that's where you'll get your participation; because, if you leave that land out and you're going to run your conservation practices on it and keep it clean—you have to according to ASCS rules and regulations—and it costs money to do that; and, if the farmer knew that he was going to be paid and recapture part of those costs, he would participate in that program, if it didn't count against his $50,000 limitation.

Mr. EASTLAND. Well, Senator, of course, we're all trapped by the high, strong dollar, which has affected—probably more than anything else has affected the prosperity or lack of prosperity of the U.S. farmer for the last 2 or 3 years; and eventually that problem is going to get solved one way or another, hopefully; but, once it does, why not take that money and let's develop export markets so we can grow and produce on land that people have paid money to buy and the infrastructure has developed in this country in the rural areas to develop a certain size acreage. Let's develop export markets so we can sell what we produce.

Senator COCHRAN. There is an appropriation for the Foreign Agricultural Service that works in a cooperator program with American Soybean Association and other commodity groups to try to help develop new markets, expand old markets; and there are marketing offices that are located all around the world. I wonder what your reaction to that program is. Has the Foreign Agricultural Service, in your estimation, served a good purpose? Is it working in a positive way and being a constructive influence on market expansion and export growth? We'll get to the audience afterwhile. We need to deal with the panel here, and later on we'll have a general discussion, if we have time. Well, let's take a break now in the proceedings. We'll have a few minutes for any questions from any of the news media people, and then we will resume the session in about 15 minutes. The committee will stand in recess.

[Recess.]

AFTER RECESS

Senator COCHRAN. If the subcommittee will return to order, we will continue with our hearing. Our next panel of witnesses will discuss the soybean situation; and, included in this panel, we're honored to have Ralph Weems, who is the president of the American Soybean Association or immediate past-president, one or the other; Alex Curtis, chairman of the board of Farmers Grain Terminal, Greenville; and W. S. Stuckey, general manager of Co-op Elevators in Greenwood. We welcome you to the hearing, and ask you to come forward.

We have copies of statements that have been submitted to the committee, which we thank you for. They will be made a part of the record in their entirety, and we urge you to make abbreviated comments or whatever comments you would like as a part of your oral presentation. Ralph Weems, you may proceed.

## STATEMENT OF RALPH WEEMS, CHAIRMAN OF THE BOARD, AMERICAN SOYBEAN ASSOCIATION

Mr. WEEMS. Thank you, Senator Cochran. They've always told me there's nothing any more past than a past president. In August, I relinquished my reign as president, but I'm now chairman of the board, so I'm still kind of involved with soybeans. I'm here today as a soybean farmer from West Point; and I appear here, not only as one of your constituents, but also in my role as chairman of the board of ASA.

We understand the great amount of attention being paid to the 1985 farm bill; but it is the view of ASA that other issues under

the jurisdiction of the Congress are far more important to American soybean farmers. While the farm bill is indeed of consequence, no bill the Congress will pass will offset the impact of high interest rates and the overvalued dollar are having on soybean farmers. Our Federal Government's record budget deficits, the real interests are to their highest level in history. Each 1 percent rise in the prime rate increases the cost of borrowing to American farmers by between $2 and $3 billion annually. That's $2 and $3 billion that, otherwise, would be net income to farmers, but instead is a cost of production.

The high real interest rates have brought huge foreign investments in U.S. dollars, resulting in a rise in the value of the dollar to record levels against the British pound, French franc, and German mark. I can recall when the dollar was worth 1.7 German marks. Today it's worth 2.8. It used to be that there were four French francs to the dollar, today almost nine French francs. As a result of the overvaluation of the dollar, our foreign customers must still pay what is high prices for them for soybeans that U.S. farmers are selling in dollar prices which are below our cost of production. We see price rationing of our soybeans out of foreign markets before our dollar reaches profitable levels. To add insult to injury, the high-valued dollar is providing huge incentives to Brazilian and Argentine farmers to grow more soybeans, since they sell in dollars but buy their inputs in devalued Brazilian cruzeiros.

Possibly the most adverse long-term impact of the high-valued dollar is the fuel it is providing for U.S. protectionism. Foreign-made goods are now more competitive in the United States and are gaining market share in many industries. Predictably, the impacted domestic industries such as steel and textiles are crying for import restraints to protect them from lower priced products. If the United States gives in to the protectionist measures, it is certain to set off retaliation against agricultural and other exports that will hurt us for many years to come.

No farm bill can mean more than reducing the deficit to American farmers. Thus, before the Congress acts on a farm bill, we urge that the Congress first balance the Federal budget to bring down interest rates and the value of the dollar.

Now, with respect to the farm bill, we urge continuation of the current loan program for soybeans, whereby the soybean loan rate is equal to 75 percent of the average price received by farmers for the last 5 years, excluding the high and low year. A statutory minimum loan rate of $5.02 should be retained. We also ask that the farm bill continue to prohibit the Secretary from offering a soybean target price, any production control program for soybeans, or any form of federally financed soybean reserve. All we want in the form of supports is a market-oriented soybean loan.

ASA is convinced that the success of the market-oriented policies in effect for soybeans at present and in the past justifies continuation of the same program. During the past 14 soybean marketing years since 1970 the simple average price received by farmers for soybeans has equaled over 77 percent of parity. That's higher than for wheat, corn, cotton, or rice. While we agree that parity is a poor price index, it does indicate that market-oriented soybean pro-

gram has served our industry well, and we see no reason to change now.

One area that we believe deserves special attention in the farm bill is for export expansion programs. ASA continues to believe that Federal expenditures to develop U.S. agricultural exports return a much greater benefit to the American farmers and the Nation as a whole than do expenditures for domestic support programs. ASA is confident that America can greatly increase its agricultural exports in the future; but, to do so will require large Federal investments and a national commitment to exporting our commodities. When the Congress rewrites the farm bill, we urge that title I be designated the export expansion title.

Specifically, ASA urges Congress to include the following in the farm bill:

Required funding of GSM-301, the infrastructure of loan programs. This program has been used only once since it has been started and that was to build an elevator in Israel; and we think that, by using this program, we could help nations build off-loading elevators, slaughter houses, feed mills, bakeries, other essential infrastructures which would lead to growing markets for our commodities.

We would like to expand the Public Law 480 program. Since its inception 30 years ago, Public Law 480 has been a mainstay in developing foreign markets for U.S. commodities. Yet, the funding for the program has not kept pace with inflation and commodity prices. So, we urge that this be expanded.

Coordinate U.S. aid and trade. Far too long, have U.S. foreign aid programs been aimed at assisting development in foreign nations with little or no regard for U.S. trade objectives in those same nations. ASA believes we must see that our foreign aid programs not only benefit recipient nations, but are also designed to complement our own export expansion programs; and we feel that the 1985 farm bill is the correct place to address this.

Another area that we believe needs special attention in the farm bill is agricultural research. For the United States to maintain its international competitiveness and reduce production costs, we need to keep up an aggressive research program aimed at boosting yields, controlling pests and diseases, and at developing new uses. We need more research to find the solution for nematodes, stem canker, aerial leaf blight, and other pests and diseases that are cutting our soybean yields. We are also concerned with the share of the Federal research expenditures allocated to soybeans be commensurate with the importance of the soybean crop. ASA is the largest cash crop in most Southern States, yet other crops are receiving substantially larger shares of Federal research moneys.

Mr. Chairman, ASA recognizes that the 1985 farm bill will be a long, hotly debated issue. We know other sectors and organizations have different views on agricultural policy. We do not intend to get involved in other commodity programs. That is the concern of the producers of the other commodities. However, ASA does feel that Congress must recognize the reality that American agriculture sells into and depends upon the international market. We're in a battle for export markets with producers in other nations. Accepting that reality, we must make sure our programs are consistent

with the international marketplace. We must make sure our Government assistance programs and research programs allow U.S. producers to exploit their comparative advantage and compete effectively with our foreign competitors. We are confident that our current soybean program allows the soybean sector to compete. We want our Government to place a higher priority on helping us grow soybeans more efficiently and to be able to compete in an international market.

Thank you very much.

Senator COCHRAN. Thank you, Ralph Weems, for your excellent statement. Our next witness is Mr. Alex Curtis.

## STATEMENT OF ALEX CURTIS, PRESIDENT, FARMERS GRAIN TERMINAL

Mr. CURTIS. Thank you, Senator. My name is Alex Curtis, and I'm a soybean, rice, cotton, and wheat producer in Washington County, MS. I'm president of Farmers Grain Terminal, a 2,000 member soybean and grain marketing cooperative, vice president of the Mississippi Soybean Association, and vice chairman of the Soybean Committee of Delta Council. Mississippi soybean farmers appreciate the opportunity to express our views on policies which may be developed in new farm legislation.

This year, soybean farmers in our State have planted 3,250,000 acres of soybeans, by far the largest acreage of any agricultural crop. Production is estimated at 78 million bushels, and will be approximately equal to cotton as our two most valuable crops.

Mississippi soybean farmers prefer to produce and market their crop in a free world market. To help maintain and build this market, soybean producers participate in a checkoff program to accumulate funds for market development and promotion. These funds, along with cooperator funds, have helped develop such a terrific market that other countries have stepped in to produce vast acreages of soybeans, and we still sell them all every year.

Soybean farmers are opposed to acreage controls on soybeans, and would ask that the general concept of the Agricultural Act of 1981 as it pertains to soybeans be continued. We would ask that the price support loan be continued at a level which allows us to be competitive in the market, and yet provides protection against disastrously low prices for short periods. We would further caution that any sizable amount of acreage reduced from the bases of program crops not be left open to be planted in soybeans. But, probably the two areas in which Government can act to be of the greatest help to soybean producers are in helping to create the favorable atmosphere in which we operate and in developing a fiscal, trade, and monetary policy which will help us be competitive. We must be aggressive, competitive, reliable marketers. Trade restraints established by law, policy, or rhetoric should not be considered as an option. These actions are not effective in the long term and very disruptive in the short term.

No other action could help farmers more than for the Congress and the administration to sustain a successful effort to reduce the huge Federal deficits. By reducing the great need of Government in the capital market the demand for dollars would diminish, and in-

flationary expectations would be reduced. Monetary policymakers could then feel more confortable and relax a bit. This action should reverse the trend of real interest rates, and the relative value of the dollar would fall. With other factors being the same, if the dollar had the same relative strength with other currencies as in 1980, farm commodity prices would be 28 percent higher today. There is no political implication, understand, intended by the year picked; but this only illustrates what an unreasonably strong currency can do to farmers. Eight dollar soybeans, 8 cent cotton, and $5.75 rice would look mighty good today; and with the success we've had in exporting agricultural products in recent years, we should be real "gangbusters" if we should get a sizable decline in the relative value of the dollar.

If an aggressive trade policy were to be added to this scenario, quite probably we could see a dramatic improvement in farm prices and income. One of the real rays of hope, I believe, is that all around the country and in Washington, a consensus is being transformed into commitment that U.S. agriculture will be competitive. A new round of GATT negotiations is overdue and agriculture should be in the center of any future sessions; but we have a very large number of other weapons to be used in the meantime.

The Commodity Credit Corporation and our various trade efforts should be used to their fullest. We should inform our trading partners that we will be tougher negotiators in trade disputes in the future; and then we should aggressively protect our interests in each case where GATT rules are ineffective. This action would, no doubt, set a more favorable scene for GATT negotiations when they are convened.

We must not overlook our commitment to agricultural research. We need to continue our strong effort in research to decrease the cost of production in order to be competitive. Basic research should also go forward looking to the day when there will be the need for higher production to feed an expanding world population. Federal agriculture research budgets have actually declined in real dollars in recent years, as you know; and we appreciate the keen interest which you have shown in this problem.

Farm income has seriously eroded, and many producers face financial disaster. Recognizing an aging population of farm operators, we need to restore the profitability to farming to attract younger people with zeal and innovative ideas. If we are competitive, operating in a favorable atmosphere, and are reliable suppliers, we will survive. We trust that you will use your best efforts for this determination in the passage of the 1985 farm bill.

Thank you very much, sir.

Senator COCHRAN. Thank you, Mr. Curtis, for your fine statement. We appreciate your help with the hearings. The next witness is W.S. Stuckey from Greenwood.

## STATEMENT OF W.S. STUCKEY, VICE PRESIDENT AND GENERAL MANAGER, COOPERATIVE ELEVATOR CO.

Mr. STUCKEY. Senator, I'm W.S. Stuckey, vice president and general manager of the Cooperative Elevator Co. of Greenwood. It's a marketing cooperative serving the north central portion of Missis-

sippi since 1956. My remarks today are short, but they are regarding the 1985 farm bill and are focused on the soybean industry.

I feel the 1985 farm bill should continue to protect the free trade status for soybeans and soybean products. Support values and direct reference to the Secretary's position in the previous bill regarding exclusion from control or reserve programs, are maintenance tools for, I think, orderly production and marketing.

But, at present, there are many factors affecting the industry's profit structure and the farmer's ability to show a reasonable return for his labor and investment.

First, a continuing rise in the cost of production and marketing is evident; second, the loss of a portion of the export market to our competition; third, high interest rates and the strong dollar overseas limiting export potential; and fourth, the pressure for import protection from several key U.S. industries raising apprehension within the agricultural community over possible retaliation by major trading partners.

Fifth, EPA and OSHA regulations at both the farm level, receiving, processing, and shipping areas are a costly structure. Sixth, transportation legislation, such as Senate bill 1739, which proposes user fees on our waterways, with gradual increases over the next few years, could become unbearable if inflation would escalate. I know that we have put a ceiling on the use of Federal funds, and the balance would come from the user phasein over the next few years; and I feel that, if inflation would return, this would be an unbearable situation.

Most of these factors, whether direct or indirect, increase the costs involved in production, marketing, and storage; and, actually, the production, marketing, and storage revert right back to the farmer for the value he receives for his commodity.

To alleviate some of this, I think legislation requiring a balanced Federal budget seems to be the main economic concern to ensure a free market system; and the increased use of Public Law 480 programs to developing nations to eventually capture and increase our export potential; effective funding for promotion exports in line with American Soybean Association's export development programs; continued funding for research both in industrial, human, and animal consumption for soybeans and soybean products; and funding for research for improved production and financing for farm storage facilities through the ASCS or Agricultural Stabilization and Conservation Service; and one item here that would make the farmer a little more sure of himself today would be more stringent supervision by the Commodity Futures Trading Commission in the area of individual control of multicorporation fund trading on the Chicago Board of Trade.

As a past president and present director of the Mississippi Soybean Association and the director of the National Grain and Feed Association, I would recommend, Senator, and to our legislators, that the testimony of these associations be given careful consideraton in the structuring of farm legislation regarding the soybean industry. Thank you.

Senator COCHRAN. Thank you, Mr. Stuckey, for that presentation. I appreciate this panel's contribution to the hearing. Soybeans, of course, as has been pointed out, have taken a place in our

agricultural sector as one of the top cash crops in Mississippi, so the health of that sector of the economy is extremely important to our State's economic well-being. We've had discussion from time to time about the determination of an appropriate loan level for soybeans; and in hearings I recall in the past, there has been some difference of opinion about that, whether the loan level has been high enough or whether it should remain at a level which didn't interfere with orderly marketing. As I understand it, the loan level is a marketing tool; and that's why it's important to the soybean industry and that it should be retained. The issue that will have to be decided is at what level should the loan be set. What is your reaction to there being more flexibility and more discretion being given to the Secretary of Agriculture for adjusting the loan level as costs of production or market conditions fluctuate? Would that be more appropriate than Congress writing in a specific loan level for a 4-year period? What's your reaction to that?

Mr. WEEMS. Senator, I think we're completely satisfied with the $5.02 and the—the framework—not satisfied with the $5.02, but satisfied with the mechanism that we have established in this loan level. It has worked very effectively. We see highs and lows, but, yet the $5.02 maintains the floor, you might say. So, we think that if the $5.02 was or that that level was raised, we would see increased production in Brazil and Argentina and other countries around the world.

Senator COCHRAN. So, it wouldn't be just American farmers that might increase their production, but competitors worldwide might increase production, too?

Mr. WEEMS. Most definitely, they would increase production, because the $5.02 would become your world price just like it has in other commodities.

Senator COCHRAN. Yes, sir; Mr. Curtis.

Mr. CURTIS. Senator, I would agree with Mr. Weems that the mechanism is in the bill, 75 percent of the previous 5-year prices with—received by farmers, with the high and low year thrown out; and the $5.02 is a minimum, except in very extreme circumstances where the Secretary could reduce it to $4.50. I would agree that the Congress might have more wisdom in setting this than—I have developed, over the years, a little bit of mistrust of Secretaries of Agriculture, not in their personal viewpoints or their wishes and desires; but they get caught up in the constraints of budgets, administration thinking, and areas outside of agriculture, and in times past have not successfully represented agriculture in those forums within the administration which bring those pressures. I would rather see that formula continued and, in fact, as it's constituted, does constitute a market-oriented policy on loans.

Senator COCHRAN. Thank you. One item that was mentioned in your testimony—I think by each of you—was the fact that there has to be an aggressive export promotion and export development program, because so much of your sales are overseas. Has the Cooperator Program with the funding of the Foreign Agricultural Service been of benefit in the soybean program?

Mr. CURTIS. Well, it certainly has, Senator; and we in the soybean industry are very proud of the export development and market promotion activities that our checkoff funds in—with coop-

erator funds have—the results that they've brought about; and I may be speaking—I know Ralph's just sitting here wanting to make this statement; but I'm going to beat you to it, Ralph. The American Soybean Association commissioned Chase Econometrics to make a study of what the effect of our funding of these programs has had worldwide; and they have come up with the number that, for every dollar we spend—that is spent by American Soybean Association and cooperators in these programs returns to us $57 in return; and that's a pretty impressive number. Now, Ralph, you can have it.

Mr. WEEMS. Well, I thi k the fact that we have approximately 200 market development programs in 76 countries scattered all over the world pretty well speaks for the effectiveness of the Foreign Agricultural Service. We have—the American Soybean Association has 11 different country offices. They are, too, scattered all over the world; and I can—I can think of no program that is any more beneficial to soybean farmers than the Foreign Agricultural Service.

Senator COCHRAN. I'm glad to hear that, because as you know, that is an item in the agricultural appropriations bill every year. And even though there is an agreement this year in the Senate to try to hold funding levels for fiscal year 1985 to generally what they were this year to try to hold down spending; meeting your challenge that you're suggesting that we need to do a better job of balancing the budget; there will be a modest increase in the funding for the Foreign Agricultural Service. I hope that proves to be helpful in expanding our sales and that we'll get the benefit of this excellent return on investment that you pointed out that's been proven by the Chase Econometric model.

We also, I think, have realized some success because of the upgrading of our agricultural attachés to consular status at our embassies around the world. There have been several changes in that respect. What we were finding was, when we had meetings in the embassies with the host countries to talk about improving trade, the agriculture man wasn't invited to the meeting. He didn't have a rank sufficient to permit him to be included; and agriculture was getting shunted aside in many of those discussions; but, now, with the rank of Consul, we're finding that there's just a little better treatment of the agriculture interests as they are represented now in our embassies around the world. I think that change has been very helpful; and that was made, as you probably know, in the farm bill that we are operating under now. I hope we will continue to monitor situations like that to be sure that agriculture is well represented by our embassies. I think it was Herman Talmadge I heard say one time when I first came to the Senate and joined the Agriculture Committee, he was the chairman; and we'd be talking about export promotion and trade and difficulties with trade barriers, and this and that and the State Department; and, every time the State Department was mentioned, he would say, "You know what we need in our State Department? That's an American desk at the State Department. Everybody's got a desk there but the Americans." And he'd give them fits; but he was making a good point. The State Department does tend, from time to time, to overlook, or at least not give enough weight to American interests in a

lot of these negotiations. I think we need to do a better job of breaking down trade barriers and making sure that American exports are treated fairly in the international marketplace. If we're going to share our market with foreign producers of merchandise or goods or whatever, then it is altogether fair and appropriate for us to expect them to share their market with our producers of agricultural commodities or manufactured goods. It can't be just a one-way street; and I think that signal has got to go out all over the world that the time has come for American goods, whether they're agricultural commodities or whether they're manufactured goods, to be treated as we treat their goods, that there has to be reciprocity. There's legislation pending in the Senate right now called the Trade Reciprocity Act. The principal sponsor is Senator Jack Danforth of Missouri, chairman of the Trade Subcommittee of the Finance Committee and has jurisdiction over trade legislation. I think it is a very important piece of legislation, and I hope we can work it through the calendar of pending bills before we adjourn on October 5 and pass it; because that's the signal that the passage of that bill would send around the world; and I think that needs to be done. I didn't mean to get off into making a speech, but it does relate to what you were talking about and how important it is for us to take advantage of export opportunities and do a better job of selling what we produce. It's a lot better to sell it.

Thank you very much for your contribution to the hearing.

Our next witness is Bill Houston of Tunica County who is going to address the issue of wheat as it is included in the farm bill of 1985. Bill, I appreciate your being here and thank you for helping us with the hearing.

**STATEMENT OF WILLIAM HOUSTON III, TUNICA COUNTY, MS**

Mr. HOUSTON. Thank you very much, Senator Cochran. My name is William Houston III of Tunica County, MS; and I am a wheat farmer, as well as a producer of cotton, rice, and soybeans. We would like to express our appreciation to you for allowing farmers to comment on the 1985 farm bill at this time.

Since 1979, wheat acreage in the Mississippi delta has almost tripled. There are approximately 640,000 acres of wheat being planted this year; and, although it does not represent one of our principal crops, we have found that winter wheat is compatible with soybeans in a double-cropping situation. Also, it should be mentioned that the planting of wheat contributes significantly to erosion control as a cover crop for the land in the winter; and, under normal growing conditions, we have begun to achieve profitable yields in wheat production in this area.

Insofar as provisions for the 1985 farm bill effecting wheat production in the State of Mississippi, we would like to maintain a market-oriented farm program relating to wheat. As in the other principal program crops grown here in the delta, we would like to maintain a loan at market-clearing levels which is based on market-price history for preceding years. Also, we would urge that target price provisions be implemented in the 1985 bill to reflect cost of production figures. The loan would serve as an orderly mar-

keting tool and target prices should remain inactive as long as market prices do not remain at low levels.

Of overriding significance to Mississippi farmers, we would oppose cross- and offsetting-compliance provisions that might hinder our flexibility in growing wheat in a double-cropping situation. Senator, as you are aware, there is some discussion in the House Agriculture Committee of the Stenholm bill, which would greatly restrict our ability to have this flexibility. That would be, we feel, extremely detrimental to this area.

We would also like to point out the key importance of agricultural exports to a viable agricultural economy. The export of U.S. wheat is essential if U.S. wheat farmers are expected to produce sufficient wheat for the remaining 96 percent of the U.S. citizens and provide additional wheat to feed a hungry world. Wheat is one of the principal export crops contributing to the U.S. balance of trade; and we would ask that you continue to ask the U.S. Department of Agriculture and the administration to utilize all export credit tools available to them in order to move U.S. wheat production through the channels of world markets. Programs such as the Public Law 480, Export-Import Bank credits, interest buy-down provisions, and blended credits are all effective means whereby wheat can move into the world marketplace in a competitive manner.

In conclusion, we would also like to praise the administration and the Congress for voicing strong opposition to embargoes and moratoriums on trade. Embargoes and export controls have no place in a market-oriented farm program; and, in order for the U.S. wheat grower to be considered a reliable producer of high-quality wheat, we must maintain open and competitive channels of agricultural trade.

I would like to thank you for allowing me to comment on the importance of the wheat program to Mississippi growers; and we would like to express our gratitude to you for seeking our thoughts concerning the 1985 farm program.

Thank you very much.

Senator COCHRAN. I appreciate that very much, Bill. Sometimes I get the idea from the Kansas and Oklahoma Senators that they don't like the fact that we're growing wheat down here; and, every time we come to that part of the bill, there is the temptation for them to write in provisions that are punitive really for wheat farmers in the Southeast. So, this is a problem and it's a challenge that I know we'll face when we come to writing this next farm bill. There are going to be efforts made to put base acreage and definitions that make it read, "Nobody in Mississippi can qualify for these programs," or at least not as many as we think would be fair. So, that's, I know, going to be a challenge we're going to face. We'll just have to deal with it and try to work our way through that. Sometimes we win on those votes, and sometimes we don't. They have pretty strong representation; but it is an important crop. We've got to recognize that, more and more, we've got a stake in the wheat section of these farm bills. Your testimony is very helpful to us as we approach that process.

Mr. HOUSTON. We just cannot emphasize that problem enough, Senator, as you're well aware.

Senator COCHRAN. Thank you very much, Bill. Thank you for being here.

Our next panel and our final panel will discuss aquaculture. We're really happy to have John Dillard who is chairman of the Delta Council Aquaculture Committee here. He's a catfish farmer from Leland. Morris Lewis, Jr., chief executive officer of Delta Marketing Association from Indianola; Paul Barrett, who is president of the Catfish Farmers of America from Sunflower. We welcome you to the hearing. We appreciate very much your being here this morning and helping us with this effort to develop an informtion base that will help us in our effort to write a good farm bill next year.

Mr. Dillard, you may proceed.

## STATEMENT OF JOHN DILLARD, CHAIRMAN, AQUACULTURE COMMITTEE, DELTA COUNCIL

Mr. DILLARD. Thank you, Senator Cochran. I'm John Dillard; and I currently serve as the chairman of the Delta Council Aquaculture Committee. The Delta Council Aquaculture Committee was established in 1979, and, since that time, it has been active in working with research and extension specialists in identifying production and processing problems as well as seeking the necessary funding levels at the State and Federal level for research and market development.

First, I would like to express our appreciation to you for pointing out the importance of farm-raised catfish production in the Mississippi Delta by scheduling aquaculture as part of this hearing process. The production and processing of farm-raised catfish is the fastest growing industry in the State of Mississippi; and currently more than 62,000 acres of land in the Mississippi Delta are devoted to catfish production. Additionally, there are approximately 2,000 people employed in the processing industry in a three-county area in the Mississippi Delta, not to mention the management-intensive production area where it requires many people to sustain production.

During the past 10 years, catfish production has increased to more than a $100 million per year industry in this State. This industry has a unique character in that Mississippi farmers have been able to fully integrate their operations so that Mississippians actually hold ownership of every component from the feeding and production of farm-raised catfish throughout the end-process of putting the product in the hand of the ultimate consumer.

The overriding concern for the future of Mississippi catfish farmers is embraced within the ability of science and technology to help catfish farmers address the production and processing challenges that lie ahead. Delta Council has actively worked with the entire Mississippi Congressional delegation to secure the necessary funds for production and water-quality research located at Stoneville. While we have experienced tremendous gains in the area of reducing diseases and improving water quality, there continue to be problems confronting catfish farmers that can only be addressed through adequate research.

Of course, we are grateful for the increased funding for catfish research at Stoneville which was initiated by your subcommittee in the Senate and Congressman Whitten's subcommittee in the House. This additional funding totaling $420,000 will help continue the catfish production research at Stoneville and expand our ability to reduce risk and costly losses to catfish farms.

We urge you to continue to give emphasis to funding for aquacultural research, since it appears to be one of the most promising agricultural industries for the State of Mississippi. Federal support of our aquacultural research efforts is currently supplementing the funds being provided by the State of Mississippi, which is in excess of $1 million. Also, I would like to point out that the catfish farmers support a farmer-financed research and promotion program that provides a significant amount of funding for the critical areas of research and market development.

In closing, I would like to point out that the Delta Council Aquaculture Committee has been working in coordination with Mississippi State University and the Agricultural Research Service of the USDA at Stoneville to encourage the establishment of a catfish genetics program at Stoneville. Currently, there is no center for the study of genetics research for farm-raised catfish in the United States. We feel that genetics research could hopefully augment our ongoing research programs in production technology and possibly uncover some of the causes of our biological problems we encounter through the growth process of farm-raised catfish. We are hopeful that the ARS of the USDA will take the lead in initiating a genetics research program at Stoneville; and at this time we are working closely with the Administrator of the Agricultural Research Service and the national program staff to design a plan to meet this need.

On behalf of the catfish farmers in the Mississippi Delta and the Aquaculture Committee of the Delta Council, I would like to express our appreciation to you for the support which you have given to aquaculture research in your capacity as chairman of the subcommittee relating to agricultural research appropriations. I would like to, also, thank you for affording us the opportunity to testify before you here today.

Thank you, sir.

Senator COCHRAN. Thank you, Mr. Dillard, for your statement. I appreciate your kind remarks very much. Morris Lewis, you are next.

## STATEMENT OF MORRIS LEWIS, JR., CHIEF EXECUTIVE OFFICER, DELTA MARKETING ASSOCIATION

Mr. LEWIS. Senator, my name is Morris Lewis, Jr., of Indianola, MS; and I'm chief executive officer of Delta Marketing Association, a catfish marketing operation that sells farm-raised catfish throughout the United States. I would like to emphasize the tremendous potential which we have in the future development of new markets for farm-raised catfish. In fact, catfish might just be the brightest star on the horizon for the farmers in the Mississippi Delta.

Currently, it is my true feeling that farm-raised catfish has more potential for growth in the domestic marketplace than any product grown in Mississippi. In those markets which we have tapped during recent years, the acceptance of this high-quality fish has been overwhelming. The high protein content of catfish grown under controlled conditions in nonpolluted waters is very appealing to the public in view of the increasing awareness of health problems relating to high cholesterol foods.

Although the markets for farm-raised catfish have grown at a fast pace and many food chains and institutional food service companies are now purchasing pond-raised catfish as a high-quality product, it will be essential for the nutritional value and quality of pond-raised catfish to become familiar to a much larger market if this industry is to realize its full potential. For years, Delta Council and other organizations who have an interest in the future development of farm-raised catfish have urged the armed services to consider farm-raised catfish as a part of the regular menu. The vast markets that would be tapped through an initiative which would result in placing farm-raised catfish on the menu of all branches of the armed services would have a profound impact on every segment of the catfish industry—production, processing, and marketing.

We would like to ask you, Senator Cochran, to make every effort to pursue the sale of farm-raised catfish to the U.S. Government as a ration for the U.S. military. I will pledge to you that all leaders in the catfish industry will work with you in any way possible to assure that we can provide a quality product at a competitive price, and at the same time stimulate a growing young catfish industry that could hold tremendous promise for the future of agriculture in Mississippi.

In addition to studying the potential of placing farm-raised catfish on the menu for military rations, we should study other potential markets for this nutritious and economical protein product in Government-funded programs. Specifically, the Agricultural Marketing Service has purchased farm-raised catfish on at least one occasion in the past under provisions of section 32 funds. While these funds have been utilized sparingly to acquire catfish in those periods when we experienced cycles of oversupply, these purchases have had a significant impact on the economy of catfish production. All programs affecting school lunches, senior citizens, women, infants, and children, and the military should be considered as a vast market potential for the future growth of this industry. It has been stated by some that it would be difficult to serve catfish for school lunches because of potential bone matter. If the cost of boneless filets is too great, the industry produces an abundance of boneless and nutritious nuggets, which are priced lower than any other catfish item. This product should be an excellent and inexpensive alternative for eliminating the possible risk of bone matter.

In addition to asking for your assistance in pursuing the proper direction for selling farm-raised catfish as a part of the diet in certain Government programs, I would also like to warn against the trend which is gaining momentum that allows the import of fish from Brazil that absorbs our markets. The cultural practices which support the production of fish grown in Brazil is not nearly as so-

phisticated as those controlled conditions in our production process. However, the Brazilian fish is often represented as a similar product as farm-raised catfish and is usually marketed at a lower price. We would like to ask for you to carefully watch the amount of imports of fish from Brazil and other foreign countries who are seeking our domestic markets. In June 1984, imports of catfish from Brazil amounted to 300 metric tons or about six times the amount imported a year earlier. In those periods when foreign imported fish begin to invade our basic catfish markets and at the same time risk the possibility of damaging the reputation of quality which is held by farm-raised catfish, we would urge you to initiate steps toward curbing these imports.

It is interesting to note that 1 acre of catfish provides the same gross income to the farmer as about 4½ acres of cotton. Also, it requires $500 in labor at the processing plant to process 1 acre of catfish. An expansion of this industry will provide much needed jobs in the Mississippi Delta.

In closing, I would like to echo the sentiments of the other gentlemen on the panel in support of aquacultural research. The catfish industry in Mississippi simply could not have sustained during recent years if it has not been for the production technology which has been gained through research. I am personally convinced that, through a combined effort of public and private support for orderly market development, and a well-coordinated aquacultural research effort, the farm-raised catfish industry is on the threshold of being one of the real bright stars on the horizon for Mississippi agriculture.

We appreciate your support, Senator Cochran, for this growing industry, and we will continue to work in the private sector to advance the growth of this industry. Thank you.

Senator COCHRAN. Thank you, Mr. Lewis, for a very interesting statement. We appreciate your contribution very much.

Paul Barrett.

## STATEMENT OF PAUL BARRETT, PRESIDENT, CATFISH FARMERS OF AMERICA

Mr. BARRETT. Thank you, Senator Cochran. My name is Paul Barrett, and I'm operations manager of grain fed fish processing in Sunflower, MS, also a small catfish farmer. This year, I'm serving as president of the Catfish Farmers of America. On behalf of us who derive a major part of our income through the production of farm-raised catfish, I would like to thank you for asking us to testify today.

During the past 10 years, catfish production has grown rapidly in the State of Mississippi, with Mississippi being the largest, of course, in the world, you could say, of farm-raised catfish anywhere. We're the only producer, really, that amounts to anything. Besides the tremendous investment which we have placed in the production of catfish, other parts of the infrastructure of the catfish industry are represented in the Mississippi Delta area, such as the processing and feed mill operations. The production, processing, and feed mill operations of the Mississippi Delta represent a huge financial investment from the private sector in Mississippi.

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Although we have been fortunate enough to experience a healthy rate of growth in the production of farm-raised catfish during the past decade, it should be acknowledged that the orderly development of this industry in the future will depend largely on the technological and scientific support of a well-coordinated research effort. Technology to produce more efficiently and at the same time maintain a product quality which will hold a competitive position in the marketplace are of overriding significance to the future of this young industry.

In recent years, we've maintained vital support from the Congress for catfish research at Stoneville, which has been translated into solid gains in terms of production on the farms. For instance, brown blood disease, which has been a real dilemma to us in this industry in the past, through the efforts of research, is now almost nonexistent; and, when it does occur, we know exactly what to do with it. We lose very few fish from it any more. This example reflects only one of the many achievements of research during the brief history of this industry. However, it clearly illustrates the degree of potential which we have in overcoming our production problems through well-planned research efforts.

In addition to our support of aquaculture research, catfish producers are extremely interested in a market development program which will ensure that farm-raised catfish will have the opportunity to compete in markets that have not been a source for market penetration in the past. Farmer-financed programs in market development are now underway, and we would earnestly solicit your support, Senator Cochran, to make certain that the USDA Agricultural Marketing Service gives the proper attention to the orderly marketing of farm-raised catfish. As other participants on this panel have mentioned, it would seem appropriate for us to actively pursue the movement of farm-raised catfish through the food programs of the Federal Government, since catfish is a high-protein and nutritious product. Also, catfish has the unique ability of being served in a portion-controlled method that is almost exact.

Senator, there are two principal areas where the Federal Government could play a significant role in helping catfish farmers of Mississippi make profits. First, we must maintain the leading edge on technology through the research efforts of the State land-grant universities and the USDA Federal research efforts. Also, we need a sustaining program to assist in market development for farm-raised catfish; and neither of these areas can be significantly affected in a positive way by the individual catfish farmer. We would appreciate your continued support of the ongoing efforts which are being initiated in catfish research, as well as urging the USDA to utilize its existing resources for bringing about market development for farm-raised catfish.

Finally, today, Senator, I would like to inform you that the Catfish Farmers of America, an association of farmers mainly from Mississippi, through our farmer-financed program for research and market development, has acquired approximately 80 acres at the Delta Branch Experiment Station at Stoneville in order to show our commitment toward the future of catfish research. This land, which is ideally suited for catfish ponds and production facilities, will be given to the Delta Branch Experiment Station at Stoneville

to demonstrate the degree of importance which catfish farmers attach to aquaculture research at Stoneville. It's a very significant commitment on Catfish Farmers of America's part.

I would like to take this opportunity to thank you for testifying and to tell you that we in aquaculture appreciate your efforts and look forward to working with you in the future.

Senator COCHRAN. Thank you, Paul Barrett, for your testimony and for being here as part of this panel. I think this has been an excellent overview of an industry, as Morris Lewis pointed out, which really has a tremendous potential for growth in our State. I'm glad we had a panel devoted to this subject. It's not a traditional commodity that is a part of the farm bill; but, because it does have such an important growth prospect in our State, it needs our attention, and I know it needs the attention of our congressional delegation as we try to make sure that we're allocating resources at the Federal level in research and market development activities so that we can be helpful and work in a cooperative way with you—with all of you.

We're very interested in genetics research, a suggestion that was made by John Dillard. That is an important activity, an important effort that needs to be made; and I'm hoping that, in discussions with the Agricultural Research Service Director, that we can get a plan finalized. I noticed by your statement that you're talking about the fact that there have been some discussions with him. Dr. Bentley, is he the one? Orville Bentley, the Administrator of the Agricultural Research Service. They ought to be cooperative in that area. I think they ought to. They want a lot of things this year. We're helping them with some of the things they want, not all the things they want. I think it's important for us to keep reminding them of the fact that there is a role for the Agricultural Research Service to play in helping us support, at the Federal level, these important new research projects. I'm glad to see the State providing such a commitment, too. That $1 million is a sizable investment by the State of Mississippi in the effort. Maybe we can see some improvement in the $420,000 Federal assistance effort. We are in a time of budget constraint. Everybody realizes that, but these investments are good investments. They're going to pay back dividends. We look at the delta and you think about cost of farm programs; and here's a farm program that's paying taxes and contributing taxes, and creating jobs. You've got people working in the processing plants who would be on welfare if they didn't have that job; and we can go right down the line in explaining why a small contribution in this research area could really pay off big dividends in many ways in other areas.

I think the suggestion Morris Lewis made about armed services menus and market development, getting that catfish on the menus would be a big help to our catfish industry. I think that's something that we can just put down on our list and put it up at the top to work on with the Department of Defense and the Secretaries of the Services. They come up to talk about the defense appropriations process. Well, we'll talk about catfish when they're talking about some of these new programs that have to be funded. We'll just make it a point to bring that up during those discussions.

Maybe we'll have a breakthrough. That could very easily develop into something really helpful.

I know, too, that we're seeing expire this year the National Aquaculture Act. Now, that's going to be an opportunity for us to have some influence in getting the catfish industry recognized more and more as an aquaculture activity. I think the Department of Agriculture would be an appropriate lead agency for aquaculture under that act. There's going to be a fuss over that. Some think the Department of Commerce ought to be the lead agency. Senator Inouye from Hawaii, I know, prefers that. He's in a pretty key position on the Commerce Committee.

Do you have any suggestions or observations about that? I know that's not something that we warned you about discussing. Any observations about the Aquaculture Act?

Mr. BARRETT. Senator, in the past, that has been an act that really hasn't helped catfish much. There would have to be a good many changes. It was really to help the salt water people and that kind of thing. It kind of is a detriment in some ways to catfish. We would be interested in it if it were changed a good bit.

Senator COCHRAN. Well, if there are any specific proposals for doing so, it would be helpful to the committee. We will work with the Catfish Farmers Association and talk about that some at another time. Maybe we can write in some provisions of that law to improve it, as far as our domestic industry is concerned.

Mr. BARRETT. We weren't strong enough at the time and weren't organized well enough to have input into it. Now, we're getting to the size where we can.

Senator COCHRAN. Well, let's try it. I'll be glad to work with you.

Mr. DILLARD. Senator, there could have been a little department jealousy there when aquaculture came under the Agricultural Act of 1981 and we were named and put into the Department of Agriculture. Up until that time, we really didn't have a home; and at that particular time, I think we might have—we might have—we lost mileage on any of the appropriations or anything at that particular time, because we really just sat there in the Department of Agriculture for a couple of years before we were really recognized as part of agriculture.

Senator COCHRAN. Well, I think that is changing.

Mr. DILLARD. Right.

Senator COCHRAN. I see that it is changing. The more we talk about it and get some of these projects funded through ARS and get USDA to understand more about catfish and buy it for the School Lunch Program—you mentioned that. They've had some experiences now in doing that. I think we're improving our situation with the Department of Agriculture. We'll just have to keep working on it.

We helped get the Small Business Administration join with the Catfish Farmers of America and the State of Mississippi in conducting a market study. I think you're familiar with that, Paul.

Mr. BARRETT. Yes; I am.

Senator COCHRAN. Do you have any comments on the study?

Mr. BARRETT. Well, the study was a very comprehensive study. It's being used kind of as a guideline by us now to move in the directions that it recommended. We felt that it was money well

spent. We probably won't do everything it recommends, but as a small association getting big all of a sudden, it was a tremendous help to us. It told us some things that I guess we really knew, but we had to have an outsider tell us about the marketing and about the market that's out there. Mr. Lewis, I'm sure, could have told us that to begin with. So, we opened a lot of eyes and we've made a lot of changes; and we're running a proper direction, I think, now in an effort to get updated as a big association of a big group. We've been a little group so long that we forget that we were growing; and all of a sudden we woke up and—we feel the study really has been a great deal of help.

Senator COCHRAN. Well, that's good to hear. I was impressed, again the other day, when I had a chance to fly from West Point to Hollandale, it took me right over a lot of catfish ponds, to see how much land is devoted to catfish farming now. That's really a big investment, and we've got to make sure it pays dividends.

I think the import control problem that you mentioned with these new imports of fish from Brazil and other places, does pose a problem. That's something we need to monitor very carefully. We may need to discuss negotiations with the International Trade Representative, Bill Brock, or something like that. We may need to talk about that pretty soon.

Mr. LEWIS. Senator, unfortunately, part of that isn't so much that it's come in here; but it's designated—it's cut up usually in steaks. It loses its identity, and it's packaged and sold through the supermarkets as catfish steaks. Well, it's an entirely different product than what we've got. The quality isn't there; and it can hurt our entire industry, because a person buys it, even though he buys it at a lower price, he doesn't get the quality.

Senator COCHRAN. Does it say it's from Brazil? Does it have to say it's from Brazil on the package?

Mr. BARRETT. Not in all States; and it's—what Mr. Lewis says is correct. You taste it once, you'll say I don't want any more catfish. It's got the name on it, and that's it.

Mr. LEWIS. The effort and the synergy in getting this on the military mess more than the amount of tonnage that would be moved there, because these fellows taste it; and, when they go back to their homes, they will be customers of it; and we've found this—we've gone to—when we opened the city of Los Angeles, people said they wouldn't eat catfish because of the name. Once they taste it, though, and try it, it really is the best fish on the market. There's no fish odor. It's high quality and delicious; and so, there's great synergy in this if we crack the military.

Senator COCHRAN. I appreciate that. I think this has been a very helpful session, and this panel has been especially helpful.

This is the first day of our session in Washington. We're going back in session at noon today, and I'm going to have to fly back up to Washington right now after we conclude here, so I won't have much time to visit around. I apologize for that. I want you to know that I'm headed back to that Senate session; but, before we adjourn, I wanted you to know that this series of hearings that we had around the State, I think, will be very helpful as we develop a draft bill for next year; and I want you to know that the record of the hearings will be kept open. If anyone has any suggestions or

comments who may not have been invited formally as a witness before the committee, please feel free to correspond and submit any suggestions or statements to me; and they will be included in the record of hearings as if it were oral testimony; and I will review all of that, and the other committee members will be given the opportunity to review all of the testimony that has been taken. So, I would invite comments from anyone who would like to make comments or suggestions to the committee.

Other than that, I appreciate again your being here, your cooperation with the committee. Thank you very much.

[Whereupon, the subcommittee adjourned, subject to call of the Chair.]

# APPENDIX

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## JACKSON HEARING

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### STATEMENT OF TED KENDALL, PAST PRESIDENT, MISSISSIPPI CATTLEMEN'S ASSOCIATION

My name is Ted Kendall. I represent the Mississippi Cattlemen's Association and I am currently a member of the Executive Committee. I am a cattleman from Bolton, Mississippi. We would like to commend your subcommittee for holding this hearing on the 1985 Farm Bill and we are pleased to have the opportunity to discuss some of our thoughts and concerns with you.

The beef cattle industry is the largest segment of the agricultural producers accounting for over 20 percent of the total cash receipts to agricultural producers. Cattlemen have obtained this position substantially without the direct involvement of the government in either our markets or our production practices. Further, cattlemen have generally opposed direct production controls and subsidies on beef and beef cattle.

Cattlemen have traditionally adopted a policy of limited involvement in formulating and implementing farm policy, particularly policy for specific commodities. We have tended to react to the farm programs only when a particular program might harm beef cattle producers and feeders. We left formulation of specific programs up to the appropriate commodity groups. For several years, this approach served our members well: Our major concerns were with weather and markets not with the impacts of government programs on our businesses.

Recent events, however, have caused us to question our traditional arms length role in farm policy formulation. Cattlemen have experienced the volatility and sense of uncertainty that other agricultural groups have been vocally concerned about. We trace much of that uncertainty to the influence of government programs. Two programs have particularly affected our industry.

First, the Payment-In-Kind (PIK) program of 1983 had a substantial adverse impact upon cattle producers and feeders. We were harmed because the program was formulated and implemented rapidly

and little apparent thought was given to the impact the program might have on livestock producers. In effect, we were surprised by the magnitude of increase in grain prices resulting in the decrease in feeder cattle prices, and had little time to react. This program, more than anything else, drove home to our members the impact that government programs can indirectly have on us: We now must contend with "program uncertainty", as well as weather and market uncertainty.

The second significant government action which affected us followed behind the PIK program. This program, however, was a "Payment-In-Cash" (PIC) program that, in our view, subsidized dairy producers to compete with us in the beef markets. We reacted more quickly in opposition to this program: Although we recognized that the dairy industry does face a surplus production problem--due in part to previous government dairy programs--our members felt that it was inappropriate for the Federal Government to pay dairymen to slaughter beef.

We faced a cow beef market depressed by as much as $3.00 per cwt. until just recently, when it became clear that the dairy culling was going to be less than anticipated. The dairy program demonstrated to us that we had to be concerned not only with the indirect impacts of government farm programs, but also with the potential for a direct impact. No program has ever had such potential for directly reducing marked prices for beef cattle and beef.

Along with these two events, our members expressed a growing dissatisfaction with the government farm programs. The programs seemed to be directed more at correcting programs created in a vacuum, with little recognition of the impact of a program for one commodity upon other commodities and even less recognition of the growing inter-relatedness of the agricultural sector with the general domestic and international economies.

We are not seeking any more government involvment in our industry with production controls or direct subsidies, but we have been forced to recognize that farm programs can and do have both direct and indirect effects that can very seriously affect our industry. For this reason cattlemen here in Mississippi and all over the United States plan to become involved in the formulation of the new farm bill.

In our invitation to testify you asked us to address three specific questions and I will attempt to do this as breifly as possible.

(1) What should be the objectives of the 1985 Farm Bill?

The main objective of the 1985 Farm Bill should be a return to greater market orientation in agriculture, where the market, not government program provisions, determine production. Certainly some form of "safety net" provisions might be incorporated, but

these provisions should not impede the role of market prices as arbiters of producers' decisions. Instead, we must work to assure the producer freedom to choose what--and how--to produce based upon a price signal determined in a freely functioning market.

(2) What changes, if any, should be made in current programs to accomplish the objectives?

Any agricultural policy adopted in 1985 must be forward looking: We have seen dramatic changes in agriculture in the past fifteen years, and too often our agricultural programs have been reactions to events already past, rather than in anticipation of events yet to come. The proper role of government in agriculture must be reexamined: There must be a recognition that government intervention into agricultural markets is disruptive and distorts the economic relationships that would exist if the market were allowed to function freely. These disruptions and distortions send inaccurate signals to producers and lead to misallocation and even abuse of the natural resources that are the lifeblood of our industry. The impact of any commodity program upon other commodities and upon our natural resource base must be determined prior to enactment of the program. A program that takes from one segment of agriculture to subsidize another is both short-sighted and unfair. Some form of "economic impact" analysis must become a part of every program formulation process. This would serve two purposes: first, to assist producers of other agricultural products in anticipating the impact of any program, and second, to enable changes to be made to minimize any adverse impact of one commodity program upon another commodity and to promote conservation of our resource base.

(3) Which issues should receive the most attention as new legislation is considered?

Setting support levels so as <u>not</u> to stimulate excessive production or encourage inefficient production. Being certain that you do not help one commodity at the expense of another; not allowing grazing of any land that is taken out of production under the farm program.

We are aware of the difficult job that Congress has in enacting new farm legislation. We appreciate this opportunity to have input in the early stages of the process. We feel that agriculture is still the backbone of this country and sincerely hope that the Farm Bill of 1985 will solve some of this industries problems and return some much needed profitabilty to this important sector of our economy.

STATEMENT OF RANDY M. RUSSELL, DEPUTY ASSISTANT SECRETARY FOR ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, I appreciate the opportunity to appear before your Subcommitte this morning in order to discuss some of the key issues that will be debated as part of the 1985 Farm Bill.

I am sure that everyone here today is interested in developing appropriate agricultural policies for the 1980's, an undertaking that is not only important, but absolutely necessary. Agriculture is too valuable economically and socially to let another farm bill come and go without a greater effort to adopt long-run policies that will work in today's agricultural and economic climate.

## Commodity Programs

The Federal Government has been involved in agriculture for over 100 years. In its early years, the U.S. Department of Agriculture was primarily responsible for providing research information to the Nation's farmers. It was not until the Great Depression that USDA took on the added responsibilities of price and income suports. With some variations, the notions embodied in the New Deal legislation remain the basis for farm commodity programs today.

In recent years, particularly since the enactment of the Agriculture and Food Act of 1981, it has become increasingly clear that the traditional commodity program tools are out of step with the current situation. When the 1981 Act was formulated, a major concern of most participants was that world food needs would outpace production. World grain consumption had grown by nearly a third during the 1970's; cotton consumption had gained 16 percent and oilseed consumption had jumped by over 50 percent. U.S. export volume had increased over 150 percent. At the same time, there was great concern about inflation and rising production costs.

Thus the 1981 Farm Bill was developed in a climate of extreme optimism for growth in exports and pessimism over controlling inflation rates as land prices were escalating beyond what any farmer could pay for out of production revenues. Even with this environment, the Administration believed that conditions could change and sent a bill before Congress that contained no minimum commodity loan rates. It also had flexibilty concerning the dairy price support level. In other words, the bill the Administration developed would have given the Secretary of Agriculture more discretionary authority for controlling price support levels and farm program costs.

While the 1981 Farm Bill that was eventually signed contained provisions for higher loan rate minimums (though not escalated through the life of the bill) and annual target price increases of 3 to 5 percent, it appeared workable. It also seemed to represent an effective compromise between the Administration's ini-

tial bill and the Congressional concerns that support levels would be too low.

It is important to note that the 1981 Farm Bill passed the House of Representatives by only two votes. And, the closeness of the vote was because it was perceived by many that it provided too little to farmers. Indeed, many in the Congress and elsewhere called it a "do nothing" bill for farmers. At that time, the Administration was criticized repeatedly for being too worried about budget deficits and not enough about farmers. Some economists suggested that farm incomes would drop because loan rates were too low.

However, in just over a year, the Farm Bill that was thought to be potentially workable had become unworkable. The rigid price support levels set in the 1981 Farm Bill had served to limit export sales in a time of very competitive world markets. The target prices thought to provide only moderate income support turned out to be so high that they were inducing increased production both here and abroad.

How could all this happen in such a short time span? First of all, the world became gripped in the worst and most pervasive recession in modern history. With this came a downturn in world demand that saw U.S. agricultural export volume decline for the first time in 13 years. A sharp rise in debt worldwide, especially among middle and lower income countries, restricted the ability of many countries to import since an increasingly larger pertion of their income was required to service debt. Thus, as the financial condition of many of our prominent foreign customers, such as Eastern Europe, Mexico and Brazil steadily worsened, their purchases from us plummeted. U.S. export volume in fiscal 1984 is projected to be about 13 percent below 1980--the fourth straight year of decline.

However, Mr. Chairman, U.S. cotton exports have not been as severely affected as some other commodities. Exports were above average in 1981/82 and below average in 1982/83, reflecting changes in foreign output. Our largest cotton customers are in Asia--Japan, South Korea, and Taiwan. Economic growth in these countries had generaly been above that of other countries for the last three years. In addition, foreign production increased less than 2 million bales during the last three years, and production by major foreign exporters actually declined.

Meanwhile, the value of the dollar steadily increased as foreign investors sought security and high rates of return from American investments. The increase in the value of the dollar meant that our products were becoming more expensive in terms of the local currencies of our foreign customers. Thus, American products became less competitive in world markets and our volume of trade suffered. For example, over the past two and a half years, the dollar has increased in value by about 50 percent compared with the German mark. This means that even if the U.S.

price had remained the same over the past two and a half years, the price in German currency would now be 50 percent higher. Such effective price increases are bound to reduce demand.

The appreciation of the dollar has also had a pronounced effect on domestic mill demand and is partly responsible for the large U.S. deficit in cotton textile trade which grew to a record 1.9 million bales (raw fiber-equivalent basis) in 1983. Our exports of cotton textiles in 1983 fell 13 percent from their 1982 level but our imports rose nearly a fourth.

To make matters worse, the downturn in world demand was accompanied by increased tariffs and subsidization practices by some of our major foreign competitors--most notably the European Community (EC). For example, the EC recently increased its subsidy for wheat flour in order to take over a larger portion of the Egyptian wheat flour market--a market that the EC could not sell one bushel into without massive subsidies. Other countries continue their policies of limiting access of certain agricultural products through quotas and non-tariff trade barriers.

Other factors beyond anyone's control, such as the weather, also compounded our problems during this period of stagnant demand. Unusually good weather worldwide during the 1981 and 1982 growing seasons resulted in record crops at home and good crops abroad. While bountiful harvests are welcomed, the unusually high cotton yields in 1981 and 1982 coincided with a sharp increase in the value of the dollar and the world recession. As a result, U.S. cotton stocks approached 8 million bales by the end of 1982/83. The price of cotton in late 1982 was under 60 cents per pound, while the price of corn at local elevators was below $2 per bushel. Many other commodity prices were also depressed.

By the fall of 1982, it became obvious that the traditional commodity programs were insufficient to deal with the huge surpluses on hand. In fact, certain aspects of these programs were encouraging more commodities to be produced. With budget outlays soaring, the Payment-In-Kind (PIK) program was formulated as the best alternative to deal with the record surpluses overhanging the market. Simply put, it was the most effective and the least costly approach since it used commodities already in Government inventory or which were acquired by the Government as in-kind compensation for the acreage taken out of production.

The PIK program met its intended goals, namely, to reduce acreage and potential production while maintaining adequate supplies and putting farmers on a sounder financial footing. However, in combination with the worst drought in 50 years, crop supplies were reduced more than initially expected. Although no one expected a severe drought, there still will be enough cotton and grain to satisfy all domestic and foreign needs.

Having experienced the largest surpluses in history, the largest acreage reduction program ever, and the worst drought in a half-century--all this in just over two years--what have we learned? The most obvious conclusion that comes to mind is that no one can predict the future, and that agricultural policy must be flexible in order to respond to the quick and drastic changes that can affect it.

It is clear that the rigid price supports of the 1981 Farm Bill helped cause our record surpluses and farm price support outlays. The mandated support prices, which were above market-clearing levels, reduced our competitiveness in world markets. They also encouraged production at the same time we were implementing the largest acreage production program ever.

Price and Income Supports

Loans and purchases have been the major commodity policy tools for the last 50 years. They have served, at different times and in varying degrees, as price floors and income supports, they have resulted in excessive production, reduced markets, and excessive stock accumulations. Some critics have suggested that the Government could not have crafted a better policy for the benefit of other exporting countries even if that were our original intent.

The dairy program is a classic example of high price supports leading to excessive production. From 1978 to 1981, support prices increased by over a third. Consequently, dairy production increased dramatically, as did Government purchases of excess dairy products. Purchases grew from 1.1 billion pounds during FY 1977 to 16.6 billion pounds in FY 1983, and costs reached $2.5 billion.

We have also witnessed huge accumulations of rice stocks as a result of price supports set above market-clearing levels. Ending stocks of rice increased from 16.5 million hundredwight in 1980/81, to 71.5 million hundredweight in 1982/83, or nearly 60 percent of annual use. About 40 percent of the 1982 rice crop and 43 percent of the 1983 crop were pledged as collateral for Government price support loans; moreover, nearly two-thirds of the 1983 crop pledged as loan collateral will be forfeited to the Government. We have seen similar situations for feedgrains, cotton, wheat, tobacco, and honey in recent years.

American farmers now depend on foreign customers for marketing about 60 percent of their wheat production, 45 percent of their soybeans and rice, and over 50 percent of their cotton. The U.S. accounts for nearly one-half of the world grain trade and three-fourths of the soybean trade. But when our loan levels exceed world prices, we cannot compete with foreign producers. Rice and tobacco are both examples of commodities with support levels that exceed world prices. In the past three years, the volume of U.S. rice exports has declined a third while our major competitor,

Thailand, has increased its exports by over a third. Our rice loan rate is about $2.00 per hundredweight above the world market price, so it is not surprising that Thailand has replaced us as the number one exporter of rice. In the last 20 years, world tobacco production has doubled and our share of world tobacco trade has dropped by about 50 percent.

In hopes of avoiding such situations, the target price/deficiency payment concept was introduced with the 1973 Farm Bill. Target prices were invisioned as a method of separating the price and income support objectives of the loan programs, thus permitting reductions in loan rates. But loan rates have not decreased, and, in fact, have increased substantially since 1973. At the same time, the target prices have encouraged farmers to expand acreage under surplus conditions, raised land prices and production costs, and made our farmers less competitive.

When targets and loan rates are set above variable costs--those cash costs required for planting, cultivation, and harvest--farmers are guaranteed a return. The reduction in risk is an incentive to expand production despite developments in the marketplace. High target prices and loan rates are almost certainly the key incentive to expanded double-cropping of wheat and soybeans in the Southeast. With most of their costs assured through the wheat program, producers have a tremendous incentive to plant wheat on acreage intended for soybeans later in the crop year. The result is increased production of wheat, a commodity already in surplus.

During the early 1970's, target prices were based on the cost of production. Since the value of land is partially determined by the return from crops grown on that land, target prices above commodity market prices drove up land values. This in turn drove up the costs of production, thereby driving up target prices, which resulted in an inflationary spiral.

Even after 1977, when land costs were excluded from the target price calculation, target prices probably contributed to an increase in land prices. Because a national target price will likely cover more than the total costs in some low-cost producing regions of the country, land prices are bid up, with benefits going to existing land owners, with new entrants and renters footing the bill. This, in turn, raises production costs, making it more difficult for the most efficient U.S. producers to compete with producers in other countries.

The commodity programs are undoubtedly stimulating an unwise use of resources. In some areas, including the Delta and Southeast, cropland is expanding into highly erodible land. Irrigation has nearly doubled in the last three decades to over 66 million acres with over 60 percent of this land producing pricipal program crops. Approximately 90 percent of this irrigation

takes place in the 17 western States, and most of the remaining irrigated acreage is in the Southeast.

A final concern about the price and income support programs is the distribution of benefits. Production of major commodities has become increasingly concentrated. About 12 percent of our farmers produce about two-thirds of the output, earn most of their family incomes from the farm, and have average family incomes in excess of $85,000. With a system that gives loans and deficiency payments in proportion to production, these are the people who obtain most of the benefits. Is this desirable? Or, should program benefits be targeted to the smaller farmers who earn most of their incomes from off-farm sources? These are two key questions that must be addressed before a new farm bill is implemented next year.

Acreage Reduction Programs

Early in the history of the price and income support programs, high support prices produced growing surpluses. In response, production controls were instituted. However, a close examination of the current voluntary production control programs shows that these programs have been largely ineffective in reducing production.

Participants in the voluntary acreage reduction programs tend to idle their worst land, leaving the best in production. And they tend to increase the inputs on that land left in production. Thus, yields on producing acres rise above the average, which tends to defeat the purpose of the program. Research shows that, for every 10 percent of acreage base idled, the average yield on the remaining acres increases 3.5 percent for cotton, three percent for corn, two percent for wheat, and one percent for grain sorghum. Over time, the problem intensifies as rapid gains in technology enhance the yields.

A second problem with voluntary acreage reduction programs is that not all farmers choose to participate, especially those large units which market most farm products. One reason for nonparticipation is the limitation of $50,000 per person on the total amount which can be received annually under the major commodity programs. This payment limitation was instituted in response to public concern about the distribution of program benefits. But with the payment limitation in place, the benefits to be gained from participation in the acreage reduction programs seldom outweigh the value of foregone production on large farms.

The ineffectiveness of acreage reduction programs also occurs because nonparticipants tend to expand acreage of program crops. They do this for two reasons: (1) they hope to capitalize on the higher market prices expected to result from the programs; and (2) they wish to increase their acreage bases for the purpose of participation in future programs. For example, in 1981, when no acreage reduction program was in place, 81 million acres of wheat

were harvested. In 1983, 28.2 million acres of wheat bases were idled; yet, the harvested acreage of wheat was only 20 million less than in 1981.

The inability to make the voluntary acreage programs effective has led to a number of proposals that would produce tighter controls. However, recent efforts to tighten up, for example, Normal Crop Acreage (NCA) compliance and summer fallow rules, have been overridden by the Congress. We believe that efforts to enforce cross-compliance or offsetting compliance would likely meet the same fate.

There seems to be some interest in reestablishing acreage allotments and instituting marketing quotas, thus removing the voluntary element from the acreage reduction program and restricting marketings. Let's look at peanuts to see how this policy has worked for them. In 1930, the U.S. harvested 1.1 million acres of two different crops of peanuts and soybeans. By 1980, the U.S. harvested 1.4 million acres of peanuts, up only slightly over 50 years, but about 68 million acres of soybeans. The farm value of production for peanuts was about $500 million while the value of soybean production was about $13.5 billion. So, indeed, production of peanuts has been controlled-- but the opportunity to expand the industries to meet the needs of a growing world market has been lost.

Perhaps allotments and quotas would nonetheless be justified if farmers received the benefits. But there is substantial evidence that the tight controls on commodities, such as peanuts, have not benefitted farmers; instead, the quotas and allotments have taken on a market value, and landowners have captured this value through higher land prices.

Another good example of the long-term effect of reducing supply and increasing price has been described by Don Paarlberg. In 1930, the U.S. was producing more than 14 million bales of cotton per year. This amounted to more than half of the total world production. In 1983, after 50 years of reduced acreage, the U.S. produced about 7.5 million bales, almost 50 percent less than when the cotton program began. Meanwhile, foreign production of cotton has increased to 58 million bales, more than seven times as much as the U.S. In the short term, the cotton programs over the years may have increased income to producers but in the longer term they most likely have hurt the industry.

Commodity Reserves

Prior to the creation of the Farmer-Owned Reserve (FOR), the Government was essentially the Nation's reserve holder. The Government, through the commodity loan and purchase programs, absorbed supplies when prices were low, and then sold stocks back into the market when prices strengthened. But the sale of Government stocks was very unpopular with farmers. To address this

problem, farmers were given the opportunity to hold the stocks themselves in the FOR, a concept developed in the 1977 Farm Bill.

Unlike the other elements of commodity policy--price and income supports and acreage reduction--it is very difficult to assess the merits of our current reserve policy. It is clear, however, that the FOR has been used for objectives beyond those initially intended.

In early 1980, the reserve was used in an attempt to offset some of the negative effects of the Soviet grain embargo. Incentives to place grain into the reserve were increased, both by the present Administration and the Congress. Again in 1982, under the burden of huge supplies and depressed prices, the incentives to place grain into the reserve were increased. Hence, the reserve graduated from the role of removing some market instability to that of supporting prices.

By 1983, it had become obvious that reserve stocks had reached such levels that their sheer size was depressing prices, and there was little prospect for significant change in the near future. A reduction in the size of the FOR stocks was one accomplishment of the PIK program. While there are many questions concerning the usefulness of a reserve policy and the difficulties of managing it, many still contend that there may be some role for a public reserve policy in agriculture--primarily due to the inherent nature of commodity markets which are affected by the vagaries of weather as well as many other factors. They argue that a reserve is needed if we want to rebuild our reputation as a reliable supplier and guard against too many resources entering or leaving agriculture during abnormal and sporadic price movements.

However, I am not sure economists and policy analysts have enough information to lead policymakers towards a more appropriate reserve policy. Should we adopt a comprehensive reserve policy or adopt simple loan extensions for all commodities as we do currently for cotton? This is the type of question that still goes begging for an answer. Some suggest that if some of these questions cannot be answered, then it may be better to have no public reserve until its impacts can be further analyzed, for the risks are too great.

## Credit Programs

Farm credit programs are not always consistent with the objectives of commodity programs. Often, when acreage reduction programs are attempting to decrease production, Federal credit programs may be encouraging expansion in capacity. During the 1960's, an average of 55 million acres per year were removed from agricultural production at the same time that Farmers Home Administration (FmHA) loans for real estate purchases were increasing by 20 percent per year. In recent years, the increase in lending

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has been less dramatic but, even in 1983 with 79 million acres idled, FmHA real estate loans grew by four percent.

From 1973 to 1983, total farm debt grew by over 230 percent. Real estate debt grew by about 210 percent, and nonreal estate debt grew by over 261 percent. The amounts held by FmHA grew even faster: real estate debt grew by 220 percent, but nonreal estate debt grew by an astonishing 1800 percent! By January 1, 1983, FmHA held $14.8 billion dollars in nonreal estate debt, or 16 percent of the total.

FmHA was able to stay with 97 percent of its 271,000 farm borrowers in FY 1983. This has occurred despite the fact that FmHA, being the lender of last resort, has a very high percentage (nearly 40 percent) of its total debt owed by farmers with debt-asset ratios of 60 percent or more. Special servicing actions to help farmers were up by 40 percent compared to FY 1982. The agency deferred principal and interest payments for 2,925 farmers and rescheduled or reamortized loans for 30,804 borrowers.

The FmHA was originally designed to meet the credit needs of farmers that could not be satisfied by commercial banks. The presumption was that the problem for these farmers was that they could not obtain capital because they were seen as poor credit risks. It was further presumed that these farmers, or at least many of them, could over time graduate to commercial credit. This has not been the case recently. In fact, FmHA has been picking up farmers that were not able to meet their lending obligations to commercial banks.

Some contend that the government credit programs are keeping farmers in business when they would otherwise shift to alternative enterprises or seek other employment. Certainly, when target prices and loan rates have been set at relatively high levels, Federal farm credit programs are pressured to provide the means to expand agricultural production to take advantage of the program incentives. Prior to any debate on a new farm bill, our credit policies and programs, with particular emphasis placed on making them consistent with the objectives of our commodity programs, should undergo a thorough review.

Trade Policy

Given our dependence on international markets--and assume that we wish to maintain that dependence--it is important for the agricultural sector to have a consistent, broad-based trade policy. Part of such a policy must be future domestic farm programs that recognize our growing reliance on international markets and do not interfere with the operation of the market and encourage additional foreign production. In addition, we must recognize that policies permanently aimed at protecting commodities from any type of unsubsidized import competition are shortsighted. We must realize that many countries, particularly those developing countries suffering from large foreign debts,

have only one way to gain much needed foreign exchange and that is through expanding exports. With over 40 percent of our agricultural exports going to developing countries, it is in our interest to promote policies which allow these countries market access, and thereby generate additional income from which to buy our agricultural products.

American agriculture must also be concerned with policies adopted for other sectors of the economy which may have a detrimental affect on our ability to expand exports. In recent years, a number of industries have sought import relief through a combination of duties and quotas. In some instances, these actions have had direct impacts on our ability to move agricultural products into foreign markets. If we believe exports are truly the lifeblood of American agriculture, then we must be prepared to promote freer trade in all sectors of the economy.

## Macroeconomics Policy

So far, the areas I have addressed--commodity policy, credit policy and trade policy--are all areas that impact agriculture directly, and that will be much debated in the formulation of the 1985 Farm Bill. But as agriculture has changed over the years, other policies have also become important to the sector's well-being. In fact, linkages between the farm and the overall economy have become so intertwined that conditions beyond the farm gate probably impact agriculture as much as, if not more than, traditional farm commodity programs.

For instance, about three-fourths of farm production inputs are now purchased from off-farm sources, compared to about one-fifth in 1930. Fertilizer consumption has increased 15-fold, feed concentrate use has doubled, and average tractor horsepower is ten times greater. Today, a one percentage point change in the general inflation rate results in about a $1.5 billion change in farm production expenses.

Interest expenses have become an increasingly important part of production costs as American farms have expanded in size and farmers have financed machinery purchases. Interest expenses now account for nearly 20 percent of farmers' total cash outlays, compared to less than 10 percent in the early 1970's. A one percentage point change in interest rates in all farm debt outstanding translates into a $2 billion to $3 billion change in expenses and net farm income.

High interest rates have damaged our ability to export by forcing the value of the dollar up compared to other currencies. As interest rates rose in the U.S., starting in 1979, foreign capital sought dollar-denominated investments. The value of the dollar has risen 30 percent in the last five years, making the prices of our commodities more expensive than those of our competitors. Over the last two years, we estimate that up to $6

billion in foreign sales--and possibly $2 billion to $3 billion in farm income--were lost as a result of the stronger dollar.

Higher inflation rates, coupled with high interest rates, have led to the current world debt problem. During the 1970's, developing country debt quadrupled. Then, with the advent of higher interest rates, the ability of those countries to service the debt was severly impaired. Many countries were forced to reallocate foreign exchange earnings that were once spent on imported agricultural products to interest payments on foreign debts.

At home, high inflation coupled with low interest rates in the 1970's made land a very attractive investment. The real cost of borrowing (interest rates compared to inflation rates) was very low, and during some periods negative. As a result, land prices jumped, and producers borrowed further against this paper profit. Now, however, the inflation rate has dropped dramatically, while interest rates remain relatively high. This has been extremely painful for highly leveraged borrowers, whose land values are declining while the need to borrow and the cost of borrowing have increased.

## Summary

Agriculture is our largest industry and, broadly defined, from the farmgate to the retail grocery store, it accounts for about 20 percent of the entire Gross National Product. Our food and fiber system also employs about 20 percent of the Nation's workforce. U.S. agricultural exports reduce our overall trade deficit by about $20 billion per year. Also, every $1 billion in agricultural trade creates an additional $1 billion in U.S. economic activity; that means jobs--nearly 35,000 jobs for each additional $1 billion in exports.

Agriculture provides our 225 million consumers with the highest quality and most reasonably priced food and fiber supply found anywhere in the world and is the most efficient industry we have in the U.S. Today each farmer produces, with help from others in the industry, enough agricultural products to sustain almost 80 people. Moreover, our agricultural sector is the major exporter of food for the rest of the world. Because of our rich land, favorable climate, technology and infrastructure, the U.S. has a competitive advantage over most other countries in the world. We must implement farm policies and programs that ensure we do not lose another productive and competitive industry in the U.S.

In summary, agriculture plays an important role in the U.S. economy and affects the daily lives of each and every one of us. That is why it is important to understand the need for an effective long-term farm policy.

We face a number of challenges. Agriculture is truly at a crossroads. The policy path we choose to follow in 1985 will ul-

timately decide whether U.S. agriculture remains the envy of the world.

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STATEMENT OF JIM BUCK ROSS, COMMISSIONER,
MISSISSIPPI DEPARTMENT OF AGRICULTURE AND COMMERCE

Mr. Chairman, I appreciate your holding this field hearing on the 1985 farm bill in Jackson.

Your July 31, 1984 letter inviting me to present a statement today states in part as follows: "Specifically, I seek testimony on the following three questions: What should be the objectives of the 1985 farm bill? What changes, if any, should be made in current programs to accomplish the objectives? Which issues should receive the most attention as new legislation is considered?

Mr. Chairman, despite the unexcelled record of production, American agriculture stands at a troubled and uncertain crossroad. All is not well on the farm.

There are no easy solutions. There are no easy answers. But it seems to me that the key point is that agricltural policy, as implemented over the last two decades, has not reflected the fact that American agriculture is no longer national in scope. It is international. We are no longer relatively isolated from the rest of the world in any way.

Since American consumption is about as high as can be expected, foreign markets are expected to absorb an even larger portion of our farm products in the years ahead. The influence of global economics on the American farmer is destined to become greater and greater.

In order for the U.S. agricultural plant to be continuously operated at an acceptable capacity level, our foreign markets share must be maintained and expanded. We must move aggressively into world markets.

Several farm program changes may be needed. Programs of the past 8 to 10 years have allowed farm income levels to vary substantially more than is desirable. An ideal program would be one that would allow our farmers to produce near maximum capacity on the "suitable" cropland and at the same time be "justly" rewarded for their efforts. This would allow the agribusiness sector to prosper, would meet the food and fiber needs of many people around the world.

Any farm program needs to recognize that unlimited production will place the farmer in periodic trouble and some control or diversion program must be part of the concept. We need a farm program strong enough to guide our farm sector toward some degree

of balance between supply and demand resulting in marketplace profits for farmers.

Loan rates should be established for all basic or storable commodities and major farm products at a level high enough and for a period long enough, to enable producers to orderly market their production and make a reasonable profit above their cost of production.

The financing requirements of agriculture are unique in nature and it is essential that the cost of capital reach a level where competent producers can once again afford to service their debts.

It is essential that adequate credit at a reasonable rate of interest be made available to farmers on a timely basis.

It is recommended that consideration be given to implementing a long-term soil conservation program that includes enough economic incentives to take substantial quantities of our highly erosive land out of crop production. This will accomplish three goals. It will mmaintain the productivity of this land: it will help stabilize farm income: and it will help us reduce some of the crop surpluses that continue to depress prices. Recent thoughts suggest that a 10-year land retirement program with the proper incentives might be highly succesful.

The public, I believe, is coming to regard our soil as a national resource toward which we must adopt a long-range view. If the public interest is served by preserving land productivity, then it seems reasonable that the public should be willing to invest in those long-term land-saving measures which the farmer cannot afford.

## SUMMARY OF TESTIMONY

In conclusion Mr. Chairman, let me summarize and respond specifically to the three questions in your letter.

1. What should be the objectives of the 1985 farm bill? The objectives of the 1985 farm bill should be to provide for sound and practical programs and methods of improving farm income. The major problem facing today's farmer is a lack of profitability. The combination of low commodity prices, rising operating expenses, and high interest rates has made the prospect for generating a profit rather remote for most farmers. And this lack of profitability has caused farmers to go deeper into debt, which in turn has made year-end profits even more elusive.

We need a comprehensive agricultural program for the United States that will be reponsive both to domestic concerns as well as international requirements. In this connection, we must move our agricultural supplies which are surplus to domestic needs into world trade at competitive prices. Farmers need expanded export sales which, in large measure, depend on federal agri-

cultural export policy. The objective of the 1985 farm program should be to utilize the federal governments resources in achieving the highest level of farm commodity exports in excess of domestic needs. I read a report recently of a study which showed that U.S. agriculture's productivity would permit exports to increase significantly with only minimal effects on domestic prices. Thus, I believe most people favor agricultural exports as long as they do not reduce domestic supplies to the point that prices here are driven up significantly.

Agriculture's greatest challenge--and our greatest opportunity--lies in exports. The farm bill must recognize agriculture as a global industry, it must recognize agriculture as a global industry, it must recognize the importance of exports to our economic vitality, and must be designed to make U.S. agriculture competetive in international trade.

2. What changes, if any, should be made in current programs to accomplish the objectives? The target price concept needs to be considered very carefully. Target prices can commit the government to such heavy cash outlay they cannot be allowed to advance too far. An aggressive, expanded export program could minimize the need for such a program.

3. Which issues should receive the most attention as new legislation is considered? Since agriculture has changed drastically, any successful farm program will have to include an effective trade program. The changing nature of agriculture--larger capital investments, more purchased technology, and dependence of agriculture on export markets--requires that agricultural export policy be treated as an integral part of overall farm policy.

Agriculture has evolved over the past 60 years from an occupation that everyone thought they understood, that we thought was relatively isolated from international events, into a very complex, specialized, highly capital intensive international business.

In my opinion issues related to agricultural export trade programs should receive the most attention as new legislation is considered.

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STATEMENT OF STANLEY A. HERREN, VICE PRESIDENT,
DEPOSIT GUARANTY NATIONAL BANK, JACKSON, MS

Senator Cochran and staff members of the Committee, I am Stanley A. Herren, Vice President of Deposit Guaranty National Bank of Jackson, Mississippi. Since 1981 I have been head of the Agribusiness Department which is part of the Corporate Division of our Bank. Prior to that, I spent 8 years in Yazoo City with a community bank directly involved in agricultural lending on a day

to day basis. For the past 3 years I have served on the Executive Committee of the Agricultural Bankers Division of the American Bankers Association. Previously I served twice as Chairman of the Agricultural Committee of the Mississippi Bankers Association.

Please let me express Deposit Guaranty's appreciation for being included as a representative of the agricultural industry in Mississippi providing input into the congressional decision making process. Your invitation asked us to focus on the total agricultural industry and specifically outline the following three questions: What should be the objectives of the 1985 farm bill? What changes, if any, should be made in the current programs to accomplish the objectives? Which issues should receive the most attention as new legislation is considered?

As you are aware, Deposit Guaranty National Bank is the largest bank in Mississippi, with December 31, 1983 assets at $2.3 billion and deposits of $1.6 billion. We are responsible for 13.1% of the State's deposits and operate in 23 Mississippi communities. Our bank is a full service commercial bank and offers a complete line of personal and corporate banking services. Its legal lending limit is over $20 million. We feel that Deposit Guaranty has played a large role in the economic growth and development of our State and all of the communities in which it has operated for the past several decades. Additionally, Deposit Guaranty is committed to assisting in the economic development of the resource base of our State. This is where our involvement in agriculture and agribusiness becomes so important. As of the December 31, 1983 call report records show that we had over $46 million outstanding in loans to farmers and although there are no specific figures we would estimate that loans to agribusiness concerns would be more than double this amount.

Because of our presence in communities like Inverness, Louise, Benton, Yazoo City, Greenwood, Greenville, New Hebron, Centreville, Monticello, and others we are critically aware of the economic impact that the agricutural industry has on economic activities in these communities. Because of our presence in the State we are aware of the structural changes that have taken place over the last 40 years. The statistics reveal that there has been a greater than 70% reduction in the number of farm jobs since 1940. With this structural change in our economy manufacturing now ranks as the number one source of income followed closely by government transfer payments and then the services sector. These structural changes have significantly impacted the viability of many communities within our State. It is obvious that if large structural changes occur within American agriculture as a result of either political or economic activity these rural communities and the economic base that supports them will be significantly impacted.

As a Congressman I am sure that it is not unusual for you to hear about problems in agriculture. In fact, I have heard your

office state that you probably spend more time on agricultural related issues and problems than any other area of congressional involvement. Here in the south we have had disaster after disaster, since 1973. Many times these problems would be cyclical in nature and problems that the farm economy would normally rebound from within a couple of years. I now fear that the problems we see in agriculture today are much deeper rooted that the cyclical problems that come from price fluctuations and natural disasters. I think when we look at the agricultural situation we have to look at some of the background. We have to recognize the problems in the agriculture economy today are not something that just happened over the last year or two. It is a problem that has been building over the last 15 or 20 years as economic signals were sent through both fiscal and monetary policy that the best strategy was to own assets and to hold debt. That was true because assets were inflating at a rate of 10 to 15%, even 30% for some years, while the cost of debt was artificially held down. The idea was to gain wealth by owning assets and taking on debt. A case can be made that this idea and practice is the major cause behind the economic problems that American agriculture faces today.

During the 1970s agriculture experienced artificial prosperity that was spawned by inflation and that inflation continued to spiral and lead farmers into increased uses of debt. The commercial banking industry, the Farm Credit System and in many cases the Federal Government showed very little, if any, restraints in allowing farmers to leverage themselves to their current levels.

Obviously, we cannot generalize with regard to the farm sector but the best information that we have available is that between 30 and 40% of the farms own something like 70% of the total debt. In fact, it is suggested that maybe as many as 30% of our farmers have no debt. It is this 30 to 40% who have leveraged positions of 70% or greater that are sliding backwards, fast.

This is not a healthy situation for these individuals and it is this group that potentially must be involved in structural changes that may occur during the coming decade. Public policy must address this issue.

In addressing this issue let's look at what caused the problem. It is obvious that we had a significant change in both fiscal and monetary policy starting in 1980. When this occured the people that had been the winners in the 70s with their strategies of buy and borrow, became the losers of the 1980s. With declining net farm income and without inflation these strategies have put them in a position of not being able to service their obligations. In many cases they now owe more than the assets that they own are worth.

There appears to be a very large group of inefficient farmers who had been able to make it over the last 15 years when we had artificially low interest rates and inflation. These operations

will not make it with today's low inflation and extremely high real rates of interest. This condition has created declining values for both land and farm equipment. We have a very serious cash flow problem for this group of farmers who have very high debt service requirements.

An additional consideration for public policy is the secondary result of this potential fallout of a large number of farmers on our rural communities. When you take small Mississippi towns such as Iverness, Louise, Holly Bluff, Anguila, Rolling Fork, Hollandale, and many many others and consider what the impact would be if those farmers with leveraged positions of 70% or greater were to have to leave farming in a mass exodus it is frightening. The impact on these small communities would be disastrous.

Agriculture has been severely impacted by both monetary and fiscal policy. The irresponsible fiscal policy of our government over the last decade and a half has probably had a much greater impact on the agricultural economy than any of the agricultural programs that we had over the past 15 years. This is true when you consider the impact on agriculture of inflation and deflation; when you consider when the fact that the dollar is extremely low and created a tremendous export market and now the dollar is extremely high and export growth cannot continue; and when you consider the fact that it has thrown other nations who are our purhasers of agricultural commodities into recessions also. Budget deficits and irresponsible fiscal policy are the root of the real problems that exist for the long term with regard to agriculture.

Agriculture has been extremely dependent on subsidized programs over the past 30 years. Philosophically we would like to see agriculture get back to a market orientation. The problem is now how to unhinge agriculture from the tremendous support that it has been accustomed to. Another problem then is how to unhinge it without a fallout that substantially changes the structure of the farm economy. In other words without having a substantial exodus of farmers from the scene.

When you look at the return in agriculture, average agricultural assets will return approximately 3 to 3 1/2%, and compare it to the average cost of the debt which is in the neighborhood of 11 to 12%, when you consider mortgages and long term contracts, you see clearly that anybody who has over 65 to 70% leverage is moving backwards. Their returns to equity are negative and they are moving toward a point of no return if conditions do not change. It is estimated that between 30 and 40% of the farms in this country today are leveraged to this point. If we allow the normal economic course of events to occur we probably would have an exodus that the farm economy could not stand. Politically this is not tolerable.

From a banker's perspective it appears that we have both a debt problem and an income problem in agriculture. Both of these must be addressed in the 1985 farm bill. The solution to the income problem cannot be the solution to the debt problem because if we were to put in place some kind of target price or income supports for agricultural commodities that would allow income adequate to service the debt already out there we would simply price our agricultural commodities right out of the world market. It appears that we must look at the debt problem on more of a short term basis while trying to work on long-term policies that will give agriculture an income level that will rebuild a prosperous farming system.

In order to get there I feel that we will have to allow for some attrition and some degree of structural change. There will be fewer farmers and those remaining will operate on a larger scale. Those that survive will think more like financial managers than production managers. They will be keenly aware of the difference between generated profits and inflation creating profits and they will know the benefits that will accrue through reasonable leveraged positions.

When we look at what the objectives of the 1985 farm bill should be we immediately think of profitablity and income stability. I feel a real strong point can be made that agricultural problems stem from historic budget deficits, high interest rates, and inflation and the best program for agriculture in the long run is to begin finding a resolution to the problem of budget deficits.

The objective should not be one of trying to maintian large numbers of so called family type farms that will compete against each other in the marketplace. The building of a prosperous and stable agricultural economy will most likely involve some attrition and some structural changing of both the number of farmers and the size and type of farming unit. Programs should be designed to aid those that are genuine farmers and not the speculator, promoter, or inflation rider.

When you look at what changes, if any, should be made in the current programs to accomplish the objectives I would offer the following. We feel that the 1981 farm bill has appropriate mechanisms in place and with proper administration should provide target prices that reflect world wide prices and give supplies adequate to provide needed food and fiber during periods of disaster. I think we could take issue with administration of some of the farm problems but that is not my intent.

I do feel that a closer relationship between the traditional sources of farm credit should be encouraged. In fact, we would like to see a program implemented where each county where a Farmers Home Administration office exists that provides government type financing that a credit committee be established that includes 3 local agricultural producers that are non-governmental

borrowers plus 3 knowledgeable credit people (we would suggest a local commercial banker, a local mortgage lender, and a local farm credit representative). It would be the responsibilty of these 6 individuals plus the staff of the local Farmers Home Administration to determine the creditworthiness of any application and to provide a coordinated credit plan under which any borrower securing government funds would have to operate. Any borrower who was not willing to comply with a very strict borrower agreement and a controlled disbursement account arrangement should be terminated from government financing. Also, compliance and cross-compliance should be required of those borrowers using direct government funding.

A much preferable arrangement is for the farmers to be financially able to obtain their credit needs from traditional sources, that being commercial banks, Farm Credit System, and so forth. In order to make these sources of credit more effective we feel that the government guarantee program should be encouraged and promoted. Here again this would put the decision making authority outside of the political arena. Each loan application would be considered by a private sector institution. Each application would be considered on its own merits and creditworthiness. If the private sector institution was supportive of the requests then a guaranty could be obtained to help support the risk associated with lending in agriculture. If the particular request did not have the support of the local private sector financial institutions then it should be very, very difficult if not impossible for that credit request to be approved for governmental funding.

When we look at guaranteed lending we feel that there needs to be consideration given to changing the form under which funding is covered for budget purposes. It is our understanding that currently budget requests require a full funding of government guarantees. Due to the fact that the loss percentages have never come near full guarantees it seems illogical to require full funding for budget purposes of the guarantees. This alone should help cut down on government use of capital sources.

Additional discussions have been held with regard to restructuring farm debts and farm assets. Because of the severity of the problem in some communities, mechanisms under which asset values are reduced and/or retitled may very well need to be put in place. Additionally some of the proposals that allow for government guarantees of existing agricultural credits with some required write down of the debt are worthy of additional considerations. Based on current budget requirements this type of guaranty could put additional pressures on the capital markets and cause interest rates to go even higher in the open market.

As we look at asset and debt restructure we also need to consider the fact that our laws need to allow for corporate investment into agricultural assets. Laws that prohibit this type of investment restrict capital inflows into our agricultural economy

and we don't need this type of restrictive barriers at a time when deflation is very present in the farm real estate and ag equipment marketplace.

Additional comments have surfaced concerning workout teams and farmer creditor meetings which have merit. The workout team concept could be consolidated within the FmHA county committee concept proposed earlier. The series of seminars for borrowers and lenders that have been proposed in some areas will probably meet with very limited effectiveness.

Additional consideration needs to be given to export promotion. Because of the effect on balancing the budget we have real concerns for providing export subsidies to massive amounts of agricultural products. A very conscious decision with regard to budget effects must be made before entering into any type of export subsidies on agricultural commodities.

Which issues should receive the most attention as the new legislation is considered? I think first of all we have to decide whether it is going to take a market orientation. A social orientation means throwing money at the industry to try and save the current structure in agriculture. In other words maintain as many farm units as we possibly can. I do not think this is going to be possible in light of the budgetary constraints that we should be dealing with.

The second orientation is a market orientation. I think if that were put in place in a very short-range program we would create significant fallout during assets values and virtually assure an eradication of many of the smaller communities in our country. It becomes obvious that some modification of both the market orientation and the social orientation, with some type of transition program, is perhaps the only avenue available to us at this time.

Any proposals considered for legislation should be considered in light of the effect that they will have on the Federal budget. It must be our ultimate goal to balance the Federal budget while controlling inflation. With this in mind we cannot look to the government to subsidize agriculture; only to be supportive of it, to provide some guarantees for the risk involved and to help in the transition periods that will continue to occur in this economic sector.

Both the private and public sector must work together in restructuring farm assets and farm liabilities. In those cases where individual farmers have debt obligations that cannot realistically be serviced from the operating profits of a particular operation all avenues must be included in a package. With a restructured operation the coordinated financial package would allow this operation to continue to exist but under very structured and rigid requirements with regard to expenses, acquisitions, and ability to escape debt obligations.

We do feel that the bankruptcy laws have allowed some individuals to escape the debt obligations that they have legitimately incurred and have put additional risk on traditional lenders that have to be made up for by sound borrowers. We feel that this is an area of Federal legislation although not part of the 1985 farm bill that does not need additional immediate attention.

The farm bill should not ensure every operation of profitabilty. However, it should put in place a mechanism that would assure this Nation of a stable supply of food and fiber, that would allow the farmer to be competitive in the worldwide marketplace, that would promote farm exports, that would provide guarantees to private sector loans for agricultural purposes; while all the time ever mindful of the goal of obtaining a balanced budget while controlling inflation.

It must be our ultimate goal to have a balanced budget and controlled inflation.

We thank you for the opportunity of allowing us to present these views and respond to your particular questions. Thank you.

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STAEMENT OF ELMO COLLUM, MARKETING MANAGER,
CROPS OPERATION, MFC SERVICES

Senator Cochran, members of the subcommittee, my name is Elmo Collum, marketing manager for Crops Operations at MFC Services. On behalf of Mr. Harpole, President of MFC Services, I want to thank you for the opportunity to present testimony on the 1985 farm bill. MFC and its farmer/members deeply appreciate your interest in agriculture. We commend you for initiating this important exchange of information. We believe that such exchanges are essential to develop an effective and meaningful farm bill in 1985.

To begin, I would like to introduce MFC. We are a farm supply and marketing cooperative headquartered in Madison, with 102 local member stores in Mississippi, Louisiana, and parts of western Alabama. We provide our farmer/members with crop production inputs, farm supplies and equipment, animal feeds, animal health products, hardware, and dry goods. Our mission is to promote the competitiveness and general quality of life of the individual agricultural producer.

Since MFC exists to meet its farmer/members' needs, we speak from that viewpoint.

In agriculture today, we are faced with stiff foreign competition which is often subsidized, a strong dollar, and record levels of production. International credit problems complicate the situation. The result is reduced demand and increased supply, leading to accumulated stocks of commodities and low

prices. That means low farm income, yet the farmer must also deal with rising operating costs and high interest rates.

If not checked, this crisis situation in agriculture could undermine the economic stability of the entire country.

The impact of agriculture on the U.S. economy is dramatic. U.S. agriculture accounts for:

-20 percent of the Gross National Products

-One-fourth of U.S. employment, or 24 million jobs

-20 percent of U.S. foreign exchange

A strong agriculture makes a strong America. With the problems the agricultural sector is experiencing, the 1985 farm bill is all the more important.

We feel that the 1985 farm bill should contain provisions for the following:

1. Protection and promotion of stable farm income and prices. Throughout the rest of the 1980s, farmers will continues to be vulnerable to market instability. This is compounded by our increasing reliance on exports. The PIK program did provide some short-term benefits to farmers, though it hurt suppliers like MFC. However, if we continue to depend on production control programs, there may possibly be a major retrenchment in the agricultural sector. The farmer wants to succeed in the marketplace. The new farm bill should allow the farmer to do so independently.

2. Consistency in agricultural policy which allows us to effectively compete in the international marketplace. The farm bill of 1985 must recognize that U.S. agriculture's long-term health depends on our ability to compete in international markets. We need export marketing tools, such as contract sanctity, the ability to offer competitive credit, or export PIK programs to help the U.S. meet the aggressive foreign competition.

We believe that the 1985 farm bill should also include provisions for:

-continued emphasis on ag research and education

-involvement from all agricultural segments in policy formulation, such as projecting the impact of PIK programs on input suppliers and machinery dealers, not just the producer

-selective credit for viable producers

In closing, we at MFC want to thank the members of the subcommittee again for allowing us to participate in this hearing.

Those of us in the agricultural sector appreciate your concern and leadership in helping develop a meaningful farm bill.

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STATEMENT OF KENNETH FERRELL, WEST POINT, MS

My name is Kenneth Ferrell. I am a farmer from West Point, MS. I grew up on a small row-crop farm in the Delta. After graduation from high school I went on to Mississippi State University and received my BS and MS degrees. From there, I traveled to Kansas State University where I received my PhD. All of my degrees are in agriculture.

Since graduation, my wife and I have been farming in Clay County. Currently, we operate a 400 sow farrow to finish operation and farm 1500 acres of land, growing soybeans, wheat and milo. Up until two years ago, we also had a 40 cow and calf herd. From 1976 thru 1979 we had a 60 ewe herd.

While all this diversification (by the way several years back all farmers heard was "if a farmer is to survive, he must diversify) may not have made me a millionaire, I do think it qualifies me to consider myself a farmer.

Our farm is a family farm. Both my wife and I work full-time on the farm hiring only a minimum of outside labor.

When visiting with farmers about the state of agriculture today, there are several points that come up no matter what area of farming we are discussing. Thus, I think these points warrant some review.

1. The concern that efficient, well-managed operations can no longer make a profit in farming. I have been serving on a task force for the National Pork Producers Council. There seems to be no boundaries regarding this problem with hog farmers. There are different variations of the problem that occur in the different sections of the Country, however, the bottom line is that even the most efficient farms are no longer making a profit... Almost consistently, it seems that farmers who were in operation before 1975 have somehow been able to "hang in", but the younger farms after time period are going out of business.

Why:

Not because they were indeed poor managers, but seemingly because of the economy in general. As I look back through my farming years, I know that these years have been problem years for me. No matter what I have done, how much I produced, what I have sold, how hard I have worked, what labor I have eliminated, what equipment I didn't purchase, I still couldn't work out of this problem. I sometimes

feel like a dog chasing his own tail.During this time period there have been a tremendous number of short-term government programs designed to bail out the farmer.

This farmer believes:

A. Short term, little thought through programs are no answer and in some instances do more damage to the farm economy than help. I think that it seems to be just random luck that some have served a purpose. In writing the 1985 farm bill, I hope that we will indeed look for long-term answers, not simply short term "bail outs".

B. Not producing seems to be a little ridiculous to me. We have spent billions of dollars abroad teaching other nations our expertise in production. I think that each time we have made decisions to not produce, another country is sitting around just waiting for the opportunity to step in.

   Examples that come to mind are:

   (1) American pork producers voluntarily cut back 15% but Canadian imports have offset this reduction. We are down to 85% capacity which increases our fixed cost and efficiency but we have just spun our wheels. Every time we cut back imports seem to increase.

   (2) PIK was a short term program.

   (3) The last dairy legislation caused regional shortages but it is not giving the desired relief to the dairyman. They just seem, to be paying each other not to produce.

2. The second point that needs addressing is our large government deficit spending policy. I am not sure that this problem is not having the most effect on farming. It produces high interest rates and no available funding for the farmer. The problem is not going to get any better until we are within a reasonable budget. I don't think that the Government is any different than other households. You can't consistently keep spending more than you have and expect anything other than disaster. The American people are capable of keeping their feet to the fire, but if and only if the "parent" sets the priorities. Throughout the history of our country, Americans have done what had to be done even though it was not pleasant. I really don't think that we will not indeed rally for a common cause.

3. I think also, that all farmers have got to unite for a common cause, American agirculture. Sometimes, I see in-house fighting more or less. I don't think it matters what type of farmer we are, just simply that we farm. We need to stop pitting corn farmers against dairy farmers, etc. When you have brothers against brothers the result is almost always a no win situation. Let's therefore, think through not only what a particular legislation will do for the commodity group it is being designed for, but also what effect will it have on all other commodity groups.

4. The American consumer has indeed gotten used to having a cheap food policy. However, the farmers are no different from any other sector of the economy. We must realize a profit in order to produce food for the consumer, cheap or otherwise. We have got to receive adequate returns on our investments. This problem is also causing a deterioration of the family farms. I think farmers beget farmers. This is no longer true however, I see more and more migration of young people away from the farms. If this trend continues long-term we may create a problem.

As I reflect upon my input into the 1985 farm bill, the only thought that keeps coming back again and again in my mind is: that this bill may be the turning point for so very many family farms. It truly has to be well thought out, torn apart and sifted through again and again in order to benefit the largest number of farmers.

It is true that we as farmers need immediate relief. However, let's don't get so involved with the immediate that we forget the long term. It has taken a course of several years to arrive at our present state, therefore it will take several years to return to a safe course. I do not believe that quickly thought through programs are the answer at this crucial point for the American farmer.

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STATEMENT OF BUCKEY M. JONES, SMITHDALE, MISSISSIPPI

My name is Bucky Jones. On behalf of the Dairy Industry of Mississippi. I am pleased to be here to present my views on the need for the development of a sound and stable farm policy for 1985.

I am a member of Dairymen, Inc., and serve on the Board of Directors from our Gulf Divison. I own and operate a dairy farm in Smithdale, Mississippi. I currently have 200 cows on a 800 acre farm.

I commend the USDA and the U.S. Congress for holding hearings throughout the country to obtain various views on the 1985 farm bill. In previous years, Dairymen, focused primarily on the dairy program and has paid relatively less attention to the various other agricultural programs and commodities. However, America's dairy farmers now find themselves in a different situation--a situation which demands our attention to all general farm economy. The future and financial well-being of America's dairy farmers is directly tied to the production of other commodities. The need for a coordinated, stable dairy program demands a sound and workable agricultural policy in 1985.

The problems of over production resulting in surplus, a decline in agricultural exports, and high interest rates are issues in which we Dairymen will take an active and vocal role. We are dedicated to farm policy which is market oriented and geared to reduce surpluses while ensuring U.S. competitiveness in world markets.

In specifically addressing the dairy program, I would like to begin by stating that the milk price support program which was begun in 1949 has functioned very well through 1980. It has attracted an adequate supply of milk for our country's needs, yet it has protected America's dairy farmers from the tremendous impact which only small surpluses would have on farmer prices.

The recent problems of over production resulted from a combination of many agricultural and economic problems including:

1. High support prices

2. Low feed prices

3. A grain embargo

4. Depressed prices for other major agricultural enterprises

Many of these problems appear to be turning around as we see purchases of dairy products dropping significantly in recent months.

For example, during April 1984, Commodity Credit Corporation purchases of butter were 19 million pounds -- only 36% of purchases during 1983; cheese and non-fat dry milk purchases, while not down as much, were significantly below those of a year ago. CCC surplus dairy product purchases on a milk equivalent basis, show a 31% reduction during January - April 1984 compared with the same four months last year. CCC costs are also down about 31 percent. In regard to the milk/feed price relationship, an improvement is expected and will likely hold with normal feed supplies expected in 1985.

Overall, total milk production during calendar year 1984 is expected to decline 3 to 5 percent from last year. This decrease

in production results from reduced marketings by participants in the dairy diversion program. In fact, it is no longer certain whether the price support level will be dropped another 50 cents come April 1985.

However, while the supply of milk, nationwide, is declining at a reasonable rate, milk production in the southeast is down dramatically. Deliveries to southeast milk marketing orders are down more than 10% from one year ago, and Class I sales are up. This has resulted in a lack of equity among producers and among competing fluid milk customers in the southeast. Clearly, effective and equitable dairy policies will demand recognition of regional differences in milk production and marketing. Programs which encourage inequitable situations are bad national policy and jeopardize the overall stability of the dairy industry.

With respect to the milk provisions of the 1985 farm bill, Dairymen in Mississippi will favor a program which contains the following concepts:

1. Any support price mover should be based on an index which is dairy specific. The previous index used was too broad and it related prices received and paid for all agricultural commodities.

2. The support price should be market oriented. That is, it should provide a safety net to prevent severe price drops in the face of small or temporary excess milk supplies. Economics tell us that prices for agricultural commodities are very sensitive to even a small over-supply or under supply.

3. The price support should recognize changes in productivity. For example, because of better breeding and feeding, output per cow increases every year.

4. We do not support the use of national quota plans, diversion payments or assessments as the means to control supply. We believe price should be the principle mover of milk supply. Supply control devices such as quotas tend to lock in resources and take away part of a dairy farmers freedom to make production decisions. In this case, the southeast will be relatively short of milk this fall whereas other areas will be heavy. We wouldn't want quotas or diversion payments further restricting milk supplies in other times when milk is relatively short.

5. We believe the program should be relatively simple, and easy to understand and to administer. Personally, I believe the complexity and potential administrative problems are the reasons more dairy farmers didn't sign up for the current diversion program.

6. Finally, we believe the program should allow some discretion for the Secretary to move prices within a range. Sometimes, market conditions are such that prudence requires to be moved up or down to avoid potential shortages or heavy over supply of milk.

We also support continuation of a national promotion program provided it is approved by a producer referendum. Additionally, we would oppose any alteration of the minimum standard for milk using California standards as a guideline.

On behalf of Dairymen, Inc. I want to thank you for the opportunity to present our views as you deliberate the various positions on the milk provisions of the 1985 farm bill.

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STATEMENT OF ROBERT S. MOSS, STATE FORESTER
MISSISSIPPI FORESTRY COMMISSION

First, I would like to express my sincere thanks and appreciation to Senator Cochran and others for allowing me the opportunity to submit this statement. I appreciate Senator Cochran for his past and continued support of forestry issues that are important to Mississippi and the Nation.

Tree farming is a real agricultural crop which meets many critical needs in our overall agricultural and farming system of our state and nation. In Mississippi, 1983 and 1984 were the best tree planting years ever. Over 392,223 acres were direct seeded and planted during this period. Trees from our forest was the number-two cash crop, with forest products manufacturing employing about 70,000 persons and contributing several billion dollars to the State's economy.

The loss of our precious topsoil is a major concern. Mississippi is number 3 in the amount of annual soil erosion. Tree planting on marginal or other eroding lands will reduce soil erosion and increase the needed future timber supply. Trees also provide a more permanent cover type that cannot be converted to crops annually.

My colleagues, the Southern Group of State Foresters concur that tree planting must be an integral part of the 1985 farm bill. I urge you to make tree planting a part of the farm bill and to implement and delegate tree planting efforts through the Forest Service and the State Forestry Agencies.

Since tree farming is a real agricultural crop, it should have a solid position in the 1985 farm bill.

Thank you for allowing me to present the forestry perspective, a factor that has great economic importance in our agriculture system.

STARKVILLE HEARING

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STATEMENT OF VERNER G. HURT, PROFESSOR AND HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS, MISSISSIPPI STATE UNIVERSITY

Mr. Chairman and members of the Sub-Committee, I am pleased to appear before you to discuss some attributes of farm policy for your consideration as you prepare the 1985 farm bill. I particularly appreciate your recognition of the importance of agriculture and forestry in Mississippi and the supporting role of our Land Grant University as evidenced by your presence here today.

An effective farm policy during the remainder of this century must recognize the diverse nature of the people, the economic activity and the problems in rural areas. During the period, 1980-82, 12% of the farms in the U.S. had annual sales of $100,000 or more. They accounted for 68% of cash receipts and 94.6% of net farm income. If those 16.2% of the farms with sales of $40,000 to $100,000 are included, then 28.2% of the farms accounted for 87.3% of sales and essentially all of the net farm income. The 72% of farms with sales of less than $40,000 per farm only accounted for 12.7% of sales and shared a loss of $893 million from farming (1). In Mississippi in 1982, only 7,657 or 18% of the 42,420 farms had sales of $40,000 or more. Less than 5,000 (4,831) or 11% had sales of $100,000 or more (2). A number of studies by Tweeten at Oklahoma State and Crecink and his colleagues in USDA point up the wide differences in needs that exist in rural America.

Certainly, the policies designed to serve the farmers that are producing the bulk of our food and fiber will not serve the needs of the other almost three-fourths (four-fifths in Mississippi). Farm operators who sell less than $40,000 of farm products per year, on the average, earned essentially all of their net income from non-farm sources during the 1980-82 period. In fact, income from off farm sources subsidized farm operations where farm sales were below $20,000 per year. Farmers in the $40,000-$99,900 sales class averaged the lowest total income from all sources ($13,257) of any group and earned about 36% of their net income from farming (1).

Policies for the three-fourths who sell less than $40,000 per year per farm need to focus on those things associated with the quality of life such as adequate food, housing, utilities, roads, other public services, and eductional opportunities. Training in job skills may need to be included if the goal is to maintain viable local rural communities and governments. Increases of any reasonable magnitude in the level of price and income supports for farm commodities will have little direct effect on their incomes or economic well-being.

Conversely, commodity programs will have a direct impact on the economic viability of those farms and farmers producing the bulk of our food and fiber. These policies will also indirectly affect those who live in rural areas and earn income from employment in the agribusinesses that provide goods and services and otherwise support production agriculture and forestry.

The policies needed for commercial agriculture follow from the objectives we seek to achieve. In the past our goals have been obscure, and often conflicting. Acceptable goals for agricultural policy might be to:

1. Maintain our competitive position and market shares in world markets

2. Achieve some long term stability in prices and income and a reasonable rate of return to resources for our farmers

3. Maintain adequate supplies of food and fiber at reasonable (not cheap) and stable prices.

Concepts embodied in the current legislation (not be specific provisions) can be used to achieve these goals. For example, the target price concept can be used to support farm incomes and some support of farm incomes will be required if our competitors for world markets continue to subsidize or otherwise support their agriculture. Target prices have the desirable attribute of not directly affecting market clearing prices and the price to consumers. Target prices established above equilibrium prices encourage expansion of production which in turn depresses market prices and increases treasury costs. Thus, some limits must be imposed upon the output to which target prices apply.

In the past, acreage controls or a combination of acreage controls and product quotas have been used to manage the supplies of most commodities. Use of acreage controls has the undesirable effect of encouraging farmers to substitute other resources for land in seeking maximum yield per acre; thus, cost per unit of product is increased. Limiting eligibility for deficiency payments by use of product quotas would appear preferable for the following reasons:

1. Incentives to achieve maximum yields per acre and thus higher average costs would not be present

2. Maximum treasury costs could be somewhat fixed and thus returns from quota production to individual farmers could be more stable

3. Those efficient farmers who could compete at world prices could do so on all production over quota if provisions were made for such.

Experience has shown that U.S. actions to control supplies encourage expansion by our competitors. This would not occur if farmers were permitted to produce over quota but not to receive deficiency payments for this over-quota production. However, total output of U.S. farms would be affected by the combination of size of quotas, the level of target prices, and the level of world prices/loan rates.

Provisions for non-recourse loans at rates consistent with long range market clearing levels will also be required to ensure against economic or other types of disaster and to provide for orderly marketing.

This loan rate should be based upon the five or seven year moving average of world prices. Appropriate release price levels and even-handed administration of this program will be essential for it to be an effective means of ensuring against wide swings in prices and consequently in treasury costs associated with the deficiency payments.

There are some important differences between what is being suggested and the provisions and implementation of the 1981 farm bill:

1. The amount of the commodity (quota) rather than the acreage used to produce it would be the basis for calculating deficiency payments to individual farmers

2. Since limitations would not be placed on acreage, a farmer's decision about how many acres of a particular crop to plant would be based upon his analysis of expected returns given his quota and the level of target prices, world prices/loan rates and his costs of production

3. Support levels would permit the market to clear in the long-run

4. Provisions would be made for releasing commodities under loan when economic conditions and/or national interests warrant such.

If we are to maintain our export market shares, the agency administering the loan program must be given the authority to meet competition in these markets resulting from government actions in other countries. There may be times when it will be desirable to release commodities from the loan, even though it will result in reduction of market prices below the loan rates. There may also be times when loan rates will need to be increased above market prices to acquire commodities in order to maintain adequate stocks to protect our national interests.

Maintenance of our position in world trade in food and fiber products can also be facilitated by policies focusing upon the marketing and distribution sectors. We have less understanding

and experience in developing and implementing programs and policies for maintaing and/or enhancing our position in world markets than in traditional farm policy. Nevertheless, future policies must provide us with the means to be competitive in marketing activities and support research and education for solving problems concerned with pricing, financing, distributing, and otherwise improving our effectiveness in marketing our products off-shore.

Another issue that must be addressed is the question of use of fragile lands to produce row crops. I don't have any specific suggestions for dealing with this problem but would hope that future policies can be designed to discourage conversion of additional acreages while enhancing the management of the fragile, highly erodable acreages already in crops in our state.

Policies dealing with problems outside agriculture that affect interest rates, the strength of the dollar, marketing and distribution costs, and the cost of inputs can have a significant impact on the agricultural economy. U.S. agriculture is capital intensive and today's interest rates coupled with the highly leveraged position of many farmers almost ensures they will not survive as farm businesses.

Finally, provisions that are made for administration (management) of farm programs may be more important than the policies and programs that are adopted. Does the Department of Agriculture have the ability to effectively manage farm programs, given their exposure to pressures from special interest groups, Congress and the Executive Branch? Can they make the hard decisions that are in the long term interests of agriculture and the country or are they subject to giving undue weight to short-term, expedient considerations? Perhaps we need to consider establishing an independent agency, properly staffed and equipped with the analytical and intellectual capacity to administer the programs that Congress enacts. We have such an agency to manage our monetary system and many countries utilize Boards in administering their agricultural programs. Whatever form the agency takes it is essential it be given the means and the authority to react to rapidly changing conditions to ensure consistency in policies and programs over time.

Thank you.

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STATEMENT OF JAMES G. BENNETT, SENIOR VICE PRESIDENT,
FEDERAL INTERMEDIATE CREDIT BANK OF JACKSON

My name is James Bennett, I am Senior Vice President with the Federal Intermediate Credit Bank of Jackson. We are a part of the Farm Credit System, which is a cooperatively owned nationwide federation of lending institutions dedicated to serving the unique financial needs of agriculture.

Our bank provides funds to Production Credit Associations and Agricultural Credit Corporations which, in turn, make loans directly to farmers. PCA's are owned by their borrower/members who purchase stock in the associations thereby giving each association the unique characteristic of being owned by the customers it serves. Our lending district includes Alabama, Louisiana, and Mississippi.

My purpose in being here this morning is to describe some of the conditions that farmers in our three-state area and in other parts of the nation are facing.

I think it might help if I first explained a little of the history of the financial conditions American farmers have faced over the past several years.

Following the period of the Great Depression, farmers became very conservative in their borrowing practices. During the decades of the 40's and 50's, they gradually built their equity positions.

Then, as farmers moved into the period of the 1960's, their years of slow, patient growth finally started to pay off. Farms started to grow bigger. As net worth positions started to improve, farmers found they were no longer forced into the excessively tight credit situations they faced in the decades immediately following the Great Depression. Their standard of living rose. They were able to provide a comfortable lifestyle for their families and education opportunities for their children.

Then came the decades of the 1970's. The steady growth of the previous decade suddenly seemed to explode. Higher commodity prices pushed real farm income to its highest level in several years.

Unfortunately, farm operating expenses started escalating. The Arab oil embargo of 1973 immediately drove up energy costs as well as the costs of all petroleum based products such as pesticides and fertilizers. The result was an inflationary spiral never before experienced in our nation's economy.

On the one hand, the inflationary spiral helped drive up the values of farm land to unprecedented heights. Consequently, farmers with high operating expenses could pay for these expenses by borrowing on their growing equity.

But inflation had its harmful effects, as well. Besides increasing the operating expenses of farmers, inflation helped drive up interest rates to unprecedented levels. And as farmers started borrowing more and more on their growing equity, these high rates rapidly produced an unbearable burden of financial liabilities for the typical American farm. This practice of leverage management seemed to ignore farmers' ability to service their debt obligations. An soon the combination of rising expenses, expanding debt obligations and high interest rates seemed to exceed the revenues being generated by most operators.

Another important, and related trend of the 1970's was the growing involvement of the Farmers Home Administration. As some farmers started having difficulty meeting their financial obligations, Congress came to their aid by expanding the authority and funding of FmHA. Some areas of the country soon became inundated with FmHA lending. For example, in the Fifth Farm Credit District (Alabama, Louisiana, and Mississippi) FmHA's market share of non-real estate loans grew from under 10 percent in 1972 to about 40 percent in 1980. More recent figures place this involvement at over 50 percent. Besides being symptomatic of the financial plight of most farmers, this high level of FmHA lending created more competition for those farmers who managed to avoid borrowing from Farmers Home Administration.

In summary, the stable decade of the 1960's grew into the inflationary decade of the 1970's. And the problems created by the sudden paper wealth of the late 1970's soon came to haunt both farmers and lenders as the early years of the 1980's started to flow by. A precipitous drop in the market prices of farm products combined with a highly leveraged financial position and continued high interest rates left many farmers with operating losses and the inability to service their heavy debts. In turn, farm sales, foreclosures, and bankruptcies reached the highest level since the Great Depression of the 1930's.

And that brings us to today's situation. I believe one indication of how severe the current economic conditions of our farmers may be seen in recent statistics affecting their lenders - the Production Credit Associations or PACs, as they are called. Over the past three years, delinquencies, foreclosures, and bankruptcies of farmers have increased more than three-fold. Loan losses suffered by PCA's in our district totalled $24.3 million in 1983 alone. To put this in perspective, loan losses in these same PCA's totalled $20.7 million over this entire 50-year history of operations prior to December, 1982. This means more losses occurred in 1983 alone than had occurred in the entire previous 50-year history.

1982 was also a bad year, with about $8.6 million in losses. In fact, over 73 percent of all loan losses suffered over the entire history of Fifth District PCAs has occurred within the past two years.

It now seems evident that FmHA, the Farm Credit System, and other farm lenders underestimated the severity and duration of this economic downturn in agriculture and continued too long with many farmers. That in turn has clearly demonstrated that liberalization of credit or the creation of new sources of funds is not the answer to the farmers' problems. He can pay debts with profits, not by a continued increase in borrowing. Before I leave this point of discussion, I want to point out that a significant number of farmers remain financially sound due to past years of profitability and inheritance, however, their positions are being eroded.

Another factor that is affecting the financial conditions of farmers has been the decline in property values - both real property and chattel. As farmers have had to liquidate their assets, whether through bankruptcy, foreclosure, or simply to reduce this debt load, they have suddently placed millions of dollars of real estate and farm equipment on the open market. The result has been a precipitous drop in property values.

This drop, of course, has led to a similar decline in the net worth positions of most farmers. Thus many operators find themselves caught in a viscious cycle of spiraling debts and rising interest rates, which compound the erosion of equity in their business.

It appears that the only thing that can bring an end to this cycle is a risk in commodity prices and a significant improvement in the nation's farm export situation to open up new markets to which farmers could sell their products. If the nation's farmers are to realize any relief from their current financial difficulties, that relief will come as a result of the accomplishment of these measures.

I appreciate having been given the opportunity to offer before you these comments this morning, Senator Cochran. And on behalf of the farmers we serve in Alabama, Louisiana and Mississippi, I express my gratitude for your consideration of the issues I have just discussed.

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STATEMENT OF J.C. WHITEHEAD, CHAIRMAN OF THE BOARD,
BANK OF MISSISSIPPI, TUPELO, MISSISSIPPI

High interest rates have been one of the real aggravators in the financial problems of agriculture, but let me hasten to point out this is not a unique problem of agriculture. Any business or industry operating in a highly leveraged position has the same difficulty. A new car agency is a good example of what I mean. When Ford and Chevrolet dealers go broke in good business towns in Mississippi, it highlights the dilemma. Whether high farm debt was incurred because of a series of operating losses or farm purchase at inflated prices, the effect is the same--an onerous

interest burden. As long as the money system is used to fight inflation, I see no relief from high and volatile rates. The market risk of widely fluctuating rates cannot be assumed by thinly capitalized financial institutions and can only be passed to the borrower.

A very serious problem to lenders is the action of some farm borrowers toward foreclosures. At the best, this is an unpleasant and unwanted task, but the attempt to stall, delay, or avoid foreclosures and build political and public support for such tactics can cause some of us lenders to reevaluate our criteria for loans. It will mean less credit availabiltiy for many.

The matter of farm debt restructuring is of such serious consequences it should not be part of a farm bill. The debate generated, I believe, would decrease the chances of getting a good bill passed.

In the final analysis, lenders look first to the capability of the borrower to repay the loan and not just to the collateral. It's rather fundamental to say the price of products sold, less the cost of production, provides the means to pay a loan. Today's world will weed out some marginal, inefficient producers; but many farmers have long ago recognized that, in any economic battle, the low cost producer will win. The other side of the formula is the price of the products sold. I have grave apprehension about any government interference in our free-market system, but a marketing plan for most farmers in our area is nonexistent. Lenders, like farmers, get some mean licks from the uncertainty of the market. I offer no quick solution.

Because of high debt to asset ratio in farming, many operators will have difficulty in getting credit. Lenders are raising their credit standards as they get increasingly nervous over a failure of the farm borrower to reduce their debt ratio. A limited guarantee program could help operators who are having financial difficulty because of market or weather adversity.

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## STATEMENT OF OWEN BIBB ON BEHALF OF THE COOPERATIVE EXTENSION SERVICE

I am Owen Bibb, a farmer from Tunica County and a member of the Statewide Extension Advisory Council, and would like to make a brief statement on behalf of the Cooperative Extension Service, which has had a long and prestigious history here at Mississippi State University.

With inflation, high interest rates, a strong American dollar, world-wide economic recession, sky-rocketing costs of production and back-to-back years of unfavorable weather conditions--which have created serious problems for the Mississippi farmer--our farm economy cannot survive. We must try to reduce production

costs, increase yields, make better uses of our natural resources, use more up-to-date marketing techniques, and expand our world markets to get back on a recovery road in agriculture.

It is my belief that the Cooperative Extension Service can play a vital role in providing solutions to these problem areas. Realizing that our federal deficit is a major concern to all, we must use what funds may be appropriated so that they will produce the most return on each dollar invested. Research and dissemination of information are mutually dependent. One is of very little use without the other. We have a great deal of data from research and development which is not being disseminated or used as extensively as it might be by the farmer.

In today's modern technological society the agriculture community is constantly being bombarded with new cultural practices, machinery, chemicals, seed varieties, breeds of livestock and other production related inputs. With today's marketing techniques, effective marketing strategies are just as important as good production practices. The ability to make use of all this falls into a category referred to as the management decision process . The day of the farmer's keeping records on the barn door is gone. To survive today the farmer must avail himself of the latest technologies for record-keeping and decision aids.

## COMPUTERS

Technologies for record keeping and decision aids are now available to the farmer in the form of the microcomputer. The computing power that corporations once paid over a million dollars for is now available to the farmer for less than $5,000. The Mississippi Cooperative Extension Service was one of the pioneers in the use of microcomputers in agriculture. Microcomputer programs developed by Mississippi Agricultural and Forestry Experiment Station and MCES are being used by farmers all over the United States and numerous foreign countries. Realistically, though, only a small percentage of the total farm population is using the microcomputer. Estimates in Mississippi range from five to 15 percent.

Two major efforts are needed to enhance the use of the microcomputer by farmers in Mississippi. First, every county Extension office must be equipped with a microcomputer system. Most efforts to date have been in equipping subject matter specialist departments with microcomputers for development of software and educational materials. A few county Extension offices (10) have purchased a microcomputer system with local funds. About 30 county offices are scheduled to receive microcomputer systems this fall as part of the Technology Transfer project. I encourage the continuation of the specially funded Technology Transfer project until all Mississippi county Extension offices are equipped with a microcomputer system.

The second effort is to develop a statewide computer network from Mississippi State to all county offices. This action would allow the rapid exchange and dissemination of information to the local levels. Further, a portion of this network should be made available to clientele for direct access. Such things as insect and disease alerts, crop reports, market reports, market analyses, and weather reports would be extremely helpful to the farmer in his decision-making processes.

Microcomputers in county offices would have further value for farmers by expanding the educational activities of the county Extension staff to include agricultural uses of the microcomputer. Also, farmers not yet ready to purchase a microcomputer could still obtain some of the benefits of a microcomputer by using the county Extension office microcomputer with some of the decision-making aids.

My personal experience with computers is that while computers may seem complicated to some, the average farmer can learn to use computers as decision-making aids with very little formal training. But, here again, I think the Extension Service, through its educational programs, can play a vital role in introducing more farmers to this new technology.

I've found the microcomputer to be an excellent farm management tool. We use the computer to figure the economics of operating farm equipment, for up-to-the-minute prices (and that's a real marketing advantage), and to keep abreast of the worldwide weather conditions that might affect the market. We use the computer to print paychecks, keep up with inventory--everything from the most simple to the most complex.

I'm like practically all other farmers in Mississippi in that I'm no computer whiz. Like some other farmers who use computers, I depend on the Extension Service and commercial outlets for computer programs. That way, all I have to do is fill in the blanks to make the program go.

Again from a personal standpoint, I think the biggest value of the computer is helping to keep up with cash flow. It used to take weeks to prepare flow statements and income statements. Now it's a matter of minutes. And in these stressful economic times when a farmer needs all the help he can get in securing operating capital, the computer is worth its weight in gold.

I know that in spite of what computers can do to streamline a farming operation, there still are a lot of farmers who shy away from computers, for various reasons. Probably the biggest reason for this is that they're skeptical about whether a computer can actually pay for itself. I can tell you from experience that a computer will pay for itself by the mistakes it keeps from happening.

Farmers, of course, aren't the only people connected to agriculture who are using computers. As just an example, five feeder pig sale associations in the state of Mississippi are now operated using computer technology. This includes practically all the feeder pigs that are sold in the state. These feeder pig sales, which incidentally are coordinated by the Extension Service, are an ideal setting where farmers, animal scientists and marketing specialists can come together to use computer technology for the benefit of the livestock auction business, and ultimately, the farmer.

Computers are not for everyone or every farmer. But, they are here to stay, they're becoming less expensive, and we're seeing more agricultural programs being developed with the sole intent of saving farmers time and money. To farmers, that's the bottom line. It's certainly good enough for me.

Renewable Resources

Forestland is the single most dominant land use in this country. The majority of our commercial forestland is held by private, non-industrial owners--people from all walks of life who are farmers, factory workers, business and professional people, retirees, and housewives. In Mississippi we have 53 percent of the total land area in timber, of which 71 percent is privately owned. The value of the annual timber harvest in the United States approaches $10 billion, the value added through processing timber into various products is as much as ten times the value of the harvest. This figure does not include the value of our forests for watershed protection and outdoor recreation. Forest management is the only intensive land use that provides so many positive associated benefits.

Managed forests provide the owner with greater volume of timber per acre and better quality timber. This obviously results in substantially more income. Studies show that every dollar in stumpage paid to a landowner adds more than three dollars to the local economy. Managed forests provide the public with outdoor recreation, hunting, and cleaner water. Private forestlands managed for timber also produce wildlife habitat which can take pressure off public lands which have to serve an ever increasing number of hunters.

In many areas, forests are actually "holding the world together." Unfortunately, thousands of acres of forests have been cleared from land that is suitable only for forests. According to a 1983 USDA study, the South alone has 17 million acres of marginal cropland which is losing tons of valuable topsoil each year and not producing enough income to pay the cost of producing a crop. The study further states that planted pines on these acres would be more profitable and control the erosion problems at the same time. Managed forests provide all these benefits as well as supply the raw material for timber industries. Timber industries are known to provide well-paying jobs, and ev-

ery dollar paid in wages to a timber industry worker generates another three to four dollars in the local economy.

The demand for wood products will grow dramatically as world population expands and as third world nations industrialize. World consumption is expected to increase by 40 percent in the next 20 years. In Japan, wood products rank third behind only oil and food as imported commodities. In Europe, imports of wood rank second only to oil. The forestry situation would be running parallel to the fossil fuel situation except for two basic differences. First, forests are renewable. Second, we still have time to act to avoid the detrimental effects of an underdeveloped resource.

## RENEWABLE RESOURCES AND EXTENSION ACT

Private, nonindustrial forests are producing only half of their potential. Less than half of these owners regenerate their forests following a harvest cut. Many of these same owners are losig thousands of dollars each year due to poor marketing procedures. Education is the answer. We already have far more technology than we are using on private, nonindustrial lands. We need to be able to transfer and efficiently disseminate the technology produced through research.

In forestry the ratio of research personnel to Extension personnel is staggering. The limited number of Extension forestry specialists cannot be expected to keep up with the ever-increasing volume of research that is generated by experiment stations and the Forest Service. A "bottleneck" exists between research results and the ultimate users. This bottleneck is simply due to a lack of personnel involved in educating forest landowners.

Every year new programs are funded for either forestry research, technical services, or financial assistance. Hopefully, an example of such a program is Section 608 of Public Law 98-258. The amortization of delinquent Farmers Home Administration loans from future timber crops could prove, once and for all, that forest management is a valid investment.

The only way to ensure the success of such a program is to directly involve the Cooperative Extension Service. There will be a need for a well-planned and implemented educational effort to support this program. Extension has the network in place in every state to provide "grass-roots" leadership for educational programs. The limiting factor is the low number of state and area level forestry specialists.

For efficiency's sake, we should not continue to increase forest program efforts in research, technical services, or financial assistance without also strengthening Extension forestry staffs. If we expect private, nonindustrial forest owners to recognize, adopt, and use the benefits of any programs, we should

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be prepared to interpret what the benefits are and how landowners can take advantage of them.

Annual funding for the Renewable Resources and Extension Act (RREA) will provide a partial solution to this problem. For the last three years, RREA has been funded at $2 million. By the time this has been split up among the various states, the allocation is barely enough to hire one forester for one year.

The usefulness of the Renewable Resources money has also been limited because it is not dependable. There is no guarantee from one year to the next that RREA will be funded. High-quality foresters cannot be attracted by positions with such an uncertain future. We have more forest landowners in this country than we have farmers. This is an enormous educational opportunity that we cannot afford to pass up. No money could be more efficiently spent on behalf of forestry than that which goes to educate forest landowners.

## AREA-WIDE MANAGEMENT OF COTTON INSECT PESTS PROGRAMS

Cotton, a major crop in American agriculture, requires the highest per acre input of chemical insecticides of any major row crop. Pest management strategies are responsible for reducing these inputs drastically over the past decade, but inputs and costs continue at levels which are too expensive for growers and non-acceptable for other segments of society. During the past decade we have seen the number of yearly applications of insecticides reduced by 50 percent or more in most states. With inflated cost of insecticides, costs frequently continue to exceed $75 per acre yearly.

The original thrust of pest management was targeted toward management of insects on a field by field basis. Many of the original goals have been reached. Numbers of private pest management consultants have increased from about 65 in 1972 to more than 550 in 1984. Insecticide applications have been reduced; thousands of producers and consultants have been trained in pest management.

All of the above accomplishments are very positive, but as successful as these efforts have been, we continue to lose too much to insect pests. Some scientists see a need to expand pest management efforts along other lines. The mobility and area-wide distribution of pests such as the cotton boll weevil and the bollworm/budworm complex, prohibits optimum management of these pests by field to field methods. Efforts in Mississippi by scientists conducting area-wide programs in boll weevil control, date back to the early sixties. In the past decade scientists in Mississippi and Arkansas have demonstrated that area wide management of both boll weevils and bollworm/budworms is both feasible and economical. These programs include "Community Heliothis Management" in Arkansas, the "Optimum Pest Management (OPM),"

"Heliothis Suppression Program," and "Cooperative Area-Wide Cotton Insect Management Programs" in Mississippi.

These programs have been reported to return as high as $60 per acre to producers. Economic evaluation of the OPM program estimated a return of $44 for every federal dollar spent. These programs have demonstrated the desirability of area-wide management using current technology. What about future technology?

Scientists with the Mississippi Agricultural and Forestry Experiment Station (MAFES) and the United States Department of Agriculture (USDA), have cooperated in efforts to control the tobacco budworm, Heliothis Virescens, by release of male sterile hybrids of Heliothis Virescens and Heliothis subflexa. Initial experiments have been successful, but before the technology can be put in place, organized area programs must be available. The same is true for efforts to manage Heliothis sp on early spring host. In theory, this strategy is optimum for Heliothis sp management due to low population numbers.

Other strategies requiring large area organization include predator/parasite releases, microbial control and boll weevil eradication. With these successes and needs as a base, I recommended that $1 million be set aside annually in the 1985 farm bill for implementation of and research to support area-wide cotton insect management pilot programs. This fund will be open for competitive grant proposals from Extension entomologists in cotton growing states. Grants should not exceed an amount equal to $.50/acre of area covered and require that producers match the amount of the grant.

Objectives of Pilot Programs are to:

1. coordinate management strategies and improve communication among persons and agencies involved in insect control decisions;

2. enlist the cooperation and participation of private agricultural consultants in area-wide cotton insect management;

3. improve area-wide surveillance of boll weevils and Heliothis species;

4. reduce the overwintered generation of boll weevils below economics levels;

5. introduce and validate the Computer Predictive model for Heliothis, and other cotton pests;

6. improve in-season management practices of boll weevils and other cotton pests;

7. provide the framework for researchers to conduct large-scale experiments; and

8. enlist 100 percent of growers in the area in sound pest management practices which increase yields and maximize profits.

## FINANCIAL MANAGEMENT

The financial condition on many Mississippi farms is extremely poor. In some of the larger agricultural counties, delinquency rates are in the range of 65-75 percent. The farm debt has increased dramatically over the past 10 years, from $1.2 billion to $4.4 billion. Low farm profits in recent years will make it hard to reduce this debt significantly. Major Extension programs to help improve the farm profit situation will prove beneficial in reducing farm debts. Intensified farm financial management work should be started immediately with farmers. Special projects, such as employing area Farm Financial Management Agents and additional financial, management training for county agents would prove useful in this area.

## MARKETING

Improved marketing offers Mississippi farmers a great potential for increasing farm profits. The Mississippi Cooperative Extension Service has increased its efforts in marketing over the past 10 years, but additional emphasis is needed. Farmers must do a better job of marketing their products. Too many of them still sell most of their products in the bottom one-third price range. Improving the marketing skills of farmers should be a major thrust of Extension over the next several years. Federal funding for work in this area is badly needed.

## FISHERIES

We all like to eat Mississippi farm-raised catfish. More than 3,000 people are employed in the catfish industry in Mississippi with a payroll of about $31 million. Mississippi has 65,381 acres in catfish farms, producing a farm value of $110 million annually. The industry started in 1964. The continued growth of this industry will increase the demand for Extension's programs. But the state also has 224,000 acres in farm ponds, most of which are not being used for commercial fish production. These ponds are a potential source of additional income from fish production and recreation.

An active research program is underway in the state in fresh water shrimp production. Should this enterprise prove feasible, Extension education and demonstration programs must be developed. Additional funding to expand educational work in the aquaculture area is badly needed.

## ADDED VALUE

An entire department spends full-time working with agri-industries in improving and developing new agricultural products.

The main thrust is for added value for raw farm products. For example, feasibility studies, facility layout and design, technology utilization, and development of a marketing plan was accomplished by Extension for the five major catfish processing plants in the state. Similar work is done for other enterprises.

The 1983 farm value of production was $2.9 billion in Mississippi. The retail value of these raw products was $14.9 billion, a $12 billion opportunity for added value. We are presently taking advantage of only about $6 billion of this added value. To capture more of this full potential, additional Extension educational work is needed in this area.

## TRADITIONAL PROGRAMS

The Cooperative Extensive Service continues to function effectively as the primary educational arm of the U.S. Department of Agricultue, even though funds from the federal level continually fail to keep pace with organizational needs. For example, twenty years ago federal funds made up 51.6 percent of the total Extension budget in Mississippi; ten years ago this figure had dropped to 48.3 percent; today the federal share is only 34.7 percent. Any new moneys from the federal level are usually earmarked for special programs, such as Pesticide Certification Training, Expanded Food and Nutrition Education Programs, Farm Safety, etc.

While funding from the federal level has decreased on a percentage basis, program support for the U.S. Department of Agriculture has expanded. Extension has depended more heavily on state funding and on efficiencies in operating its programs and activities to keep up financially. Strong efforts in the traditional agricultural, home economics, 4-H, and community development programs are still the backbone of Cooperative Extension work. A majority of the farm, home, and rural problems can be solved by adopting recommendations from traditional programs.

During the past several years of virtually level funding, many competent staff members have left the organization for higher paying jobs. Staff members receive as much as $6,000 to move to other states and other jobs. And some of the most competent members of the staff are the first to leave. During the past three years, Mississippi has been a training ground for both private industry and other educational institutions. About 23 staff members have departed for higher salaries during the past 12 months.

Increased federal funding, especially for traditional programs, will help insure that Extension program successes of the past will continue. Additional funds will also help maintain a competent Extension staff. It is my belief that more funding of all these programs will be money well spent, and, in the long run, it will benefit agriculture and help reduce the federal deficit.

## ADDITIONAL STATEMENT OF COOPERATIVE EXTENSION SERVICE

The Cooperative Extension Service continues to function effectively as the primary educational arm of the U.S. Department of Agriculture, even though funds from the federal level continually fail to keep pace with organizational needs. For example, twenty years ago federal funds made up 51.6 percent of the total Extension budget in Mississippi; ten years ago this figure had dropped to 48.3 percent; today the federal share is only 34.7 percent.

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Mississippi is a rural state where educational programs related to agricultural production and marketing, agribusiness, and rural community development are still highly significant. Home financial management and 4-H youth programs also are making a major contribution to the overall progress in the state.

## PROGRAM SUCCESSES

The overall efforts of the Cooperative Extension Service have been highly successful. Exemplary progress has been made in several areas that has impacted significantly on the overall economic improvement in Mississippi.

Consider these successful programs and activities:

1. Pest management and pesticide certification programs. Mississippi Extension has led the way in developing effective pest management programs that help farmers improve pest control, reduce pesticide use and improve overall farm income. The interdisciplinary concept of pest management educational programs is spreading. Mississippi development innovative video tape training programs for certifying pesticide users in the state. Originally, 45,275 people were certified to use restricted use pesticides; 2,800 are retrained annually.

2. Soil and plant tissue analysis and recommendations. Extension in Mississippi is a national leader in providing farmers with the most modern soil tests, tissue analysis tests and nematode tests. Modern equipment has been installed to provide quick analysis along with recommendations needed to survive in today's competitive agriculture.

3. Aquaculture programs. The Cooperative Extension Service played a highly significant role in helping develop

Mississippi's $110 million farm-raised catfish industry. Catfish diagnostic laboratories operated by Extension help growers identify and treat disease problems rapidly. Modern catfish feed mills and processing plants have been built to support this fast-growing industry. Up-to-date educational programs are offered by Extension in all aspects of production and marketing.

4. Money management centers. Extension established the first Money Management Center in the urban area of Jackson to help families and individuals better manage their finances. The center was partially sponsored with federal funds. The Jackson center was so successful that the concept was expanded to the Mississippi Gulf Coast and to the Tupelo areas.

5. Government Training Programs. More than 290 municipalities, with more than 2,700 public officials, are located in Mississippi's 82 counties. Most had received no organized educational training in the responsibilities of their positions. Since 1973, Extension has offered educational programs on an annual basis for all city and county local government officials. This is one of the outstanding programs of its type in the nation.

6. Computer software programs. The Extension Service, in cooperation with the Mississippi Agricultural and Forestry Experiment Station, has developed about 30 computer programs for farm use; additional programs are under development. Extension has a similar number of programs for in-house use to improve efficiency of operation and program delivery. These programs are available nationwide.

7. In-state Processing. An entire department spends full-time working with agri-industries in improving and developing new agricultural products. The main thrust is for added value for raw farm products. For example, feasibility studies, facility layout and design, technology utilization, and development of a marketing plan was accomplished by Extension for the five major catfish processing plants in the state. Similar work is done for other enterprises.

8. Improved communications. Extension in Mississippi is a leader in the use of video in modern communication techniques between state staff members and county workers. Extension also leads in the use of video for the commercial media outlets in the state. A weekly statewide 30-minute program called "Farmweek" has a large audience of farmers and others; and in-house program, called "County Agent Update" alerts all county workers to the latest problems and provides recommendations for controlling them. The

program covers the various agricultural commodities on a weekly basis.

9. 4-H youth programs. The Mississippi 4-H program continues to be one of the leaders in the nation in terms of members, activities and program excellence. 4-H members in the state number more than 100,000 annually, with about 7,500 volunteer leaders working with them. Popular projects include Foods and Nutrition with 15,330 members; Forestry, 8,274 members; and Citizenship and Community Involvement, 11,921 members.

PROGRAM NEEDS

1. Natural Resources. The personal income of Mississippians can be greatly improved through better use of forest and water resources. Improved and expanded Extension educational programs will permit the use of better management practices and improved land use decisions. Improvement would come from timber stand regeneration, improved wood utilization, timber and wood marketing, and land management decisions involving fish and wildlife habitat.

   a. Forestry. Forestry dominates land use in Mississippi with 16.2 million acres, representing 53 percent of the total land area of the state. Private, non-industrial landowners control 71 percent of this acreage. The 1983 timber harvest was valued at $484 million; the enterprise has averaged about $500 million annually for the past five years.

      The state is losing millions of dollars each year because many of these raw materials are being shipped out-of-state for processing. In addition, the state's private, non-industrial forests are producing at only 60 percent of their potential. We're losing a potential of $100 million annually on these low producing forests. There is only one field forester for every 1,000 land-owners. The need for technical help is not always available when needed.

   b. Fisheries. More than 3,000 people are employed in the catfish industry with a payroll of about $31 million. Mississippi has 65,381 acres in catfish farms, producing a farm value of $110 million annually. The industry started in 1964. The continued growth of this industry will increase the demand for Extension's programs.

      The state has 224,000 acres in farm ponds, most of which are not being used for commercial fish production. These ponds are a potential source of additional income from fish production and recreation.

An active research program program is under way in the state in fresh water shrimp production. Should this enterprise prove feasible, Extension education and demonstration programs must be developed.

2. Improved production and management of resources in agriculture and family economics. Improvement in production and management offers opportunities for improved income without large capital outlays.

   a. Multidisciplinary agricultural teams. Through this approach, highly trained professionals in entomology, plant pathology, and agronomy are located together in a district-wide office to serve the needs of about 20 counties. Recommendations on insect control, plant disease control, and weed control are formulated into team recommendations that save thousands of dollars for farmers.

      Placing multidisciplinary teams in strategic locations to provide service would have a significant impact on improved production and management.

   b. Commercial horticulture. People in high density areas of the state, such as the Jackson metropolitan area, are beginning to grow commercial acreages of cantaloupes, muscadines, sweet corn, apples, peaches, blackberries and blueberries. These crops require specialized management practices. These producer educational needs cannot be met by a limited staff located at Mississippi State University, about 2 1/2 hours away.

      Fruit and vegetable growers are asking for more marketing and planning help. Farmers are asking for more information on pick-your-own operations.

      Area horticulture specialists located at strategic locations over the state would significantly increase Extension programming and, ultimately, producer income.

   c. Area Money Management Center. Strengthening the home and family unit may well be the key to improving society and the economy of Mississippi. Money problems are a factor in 75 to 80 percent of family crises. The statewide Extension Advisory Council has identified this area as one of the primary program needs.

      Money Management Centers in the state have successfully helped families with their personal/family financial situatons. Many have over-extended their credit and don't have a spending plan for their income.

This money management concept must be expanded to other areas of the state to prevent bankruptcies and garnishment of wages.

3. Expand Computer Use. The development of computer programs and the use of microcomputers will need to receive additional emphasis and funding in the next four years. Farmers continue to purchase microcomputers and need useful programs and assistance in using those programs. One of our goals is to have a computer in each county Extension office with personnel in each office who can effectively use those computers. This will prove not only beneficial to Mississippi farmers but should also increase the operating efficiency of the Mississippi Cooperative Extension Service.

4. Soil Conservation Efforts. The Mississippi Cooperative Extension Service is expanding its soil conservation efforts. This work is being done in close consultation with the Soil Conservation Service. The work encompasses agronomic engineering and economic aspects. The efforts in this area will be intensified as several vacant positions are filled. These efforts will be aimed at sharply reducing the large quantities of topsoil we are presently losing. Support and funding from the federal level will be extremely beneficial in accomplishing this task.

5. Farm Financial Management. The financial condition on many Mississippi farms is extremely poor. In some of our large agricultural counties, delinquency rates are in the range of 65-75 percent. Intensified farm financial management work should be started immediately with these farmers to help correct this situation. Special projects will be explored that might also prove useful in this area. Partial federal funding would prove most beneficial if this program area is strengthened.

6. Marketing. Improved marketing offers Mississippi farmers a great potential for increasing farm profits. The Mississippi Cooperative Extension Service has increased its efforts in marketing in the past 10 years, but additional emphasis is needed. Most farmers must still do a better job of marketing their farm products. Improving the marketing skills of farmers will be a major thrust of the Mississippi Cooperative Extension Service in the next four years. Federal funding of special projects in this area would prove most useful.

7. New and Improved Delivery Systems. At a recent farm meeting, several farmers stated that one of the hindrances to making a profit was the lack of timely farm information. With the use of computers and modern electronic communications, we are beginning to correct this problem; however, much additional work needs to occur in this area.

Advances in the areas of publications, radio, TV, teleconferences, and many other communication methods need to be implemented for substantial progress.

8. Traditional Extension Programs. Strong efforts in the traditional agricultural, home economics, 4-H, and community development programs will need to be continued in the next four years. A majority of the farm, home, and rural problems can be solved by adopting recommendations from traditional programs. The Mississippi Cooperative Extension Service will continue to put forth a strong effort in these programs and will expect federal funding to match that strong effort.

[The following material was furnished by Dalton Garner, Mississippi Association of Conservation Districts.]

## Conservation Field Day

## JAMES CREEK RANCH
## AUGUST 23, 1984
## ABERDEEN, MISS.

–Featuring–

**"Conservation Practices That Work"**

SPONSORS

Area IV Mississippi Association of Conservation Districts

and

Cooperating Agencies, Organizations, and Businesses

# We're Losing Too Much Soil in Northeast Mississippi

Two-thirds of the valuable topsoil on Northeast Mississippi farms is gone. It was swept away by soil erosion. The same fate is in store for much other soil from the region's sloping fields unless landowners and farmers make immediate changes to reduce erosion losses.

Cropland in the 12-county area including Alcorn, Tishomingo, Prentiss, Itawamba, Chickasaw, Monroe, Clay, Oktibbeha, Lowndes, Noxubee, Kemper and Lee is eroding at the average rate of 11 tons per acre per year. That is equivalent to two 5-ton dump truck loads. Some more severely eroding cropland is losing more than 30 tons per acre per year, about 10 times the amount that can be lost and still maintain crop production. The long-term productive capacity of Northeast Mississippi soils will decline if they lose more than 3 tons per acre per year. Topsoil depth on most sloping cropland is only three to six inches, and some fields have no topsoil left.

Erosion rates of 25 tons per acre per year removes one inch of topsoil every six years. Soil Conservation Service statistics place total erosion in the area at 12 million tons annually worth $96 million. That price tag does not include loss in crop yields, soil fertility, labor, and equipment time.

PRACTICES DEMONSTRATED ON JAMES CREEK RANCH WILL EFFICIENTLY REDUCE SOIL EROSION WITHOUT REDUCING FARM PRODUCTION.

# Economics of Soil Conserving Practices

In many cases, the use of soil conserving practices causes production costs per acre to be at least moderately above conventional tillage costs. The economic benefits of soil conserving practices are generally not immediately received by the farmer but accrue over a long period of time. These benefits are in the form of retained topsoil which allows productivity to be maintained or improved. In the absence of soil conserving practices, productivity will gradually decline over the long-run as topsoil depth declines.

**No-Till Planting**

On the James Creek Ranch it appears that the cost of producing the no-till soybeans behind wheat will be somewhat higher than the conventional-till soybeans behind wheat. Through the first week of August, direct expenses (out-of-pocket costs) were about $92 per acre on the no-till soybeans. That figure includes expenses for seeding the acreage twice. If the costs for the second planting are eliminated, the costs are reduced to about $75 per acre with probably one herbicide application and harvest costs still to be charged against the crop. Direct expenses on the conventional-till soybeans behind wheat have been calculated at about $69 per acre with harvest expenses yet to be added. On these two demonstration plots it appears the no-till plot is going to cost about $10 to $12 more per acre where only one seeding charge is shown.

The benefits of no-till soybeans on this farm are measured in reduced soil losses. Based on SCS data, the demonstration fields will lose about 11 tons of soil per acre per year with conventional wheat and conventional soybeans. In conventional wheat and no-till soybeans, soil losses will be about 6 tons per acre per year. That's a savings of 5 tons per acre per year.

**Terraces**

The terraces that you see on this farm have been constructed during the past two years. The cost of constructing these terraces was about $97 per acre. If the Federal cost-sharing assistance is subtracted, cost per acre is about $52. Using the full costs and amortizing it over a 10 year period and a 12% interest rate puts annual costs at about $17.00 per acre. Adding to this a $3.00 per acre annual maintenance charge, (3% of initial costs), puts annual costs per acre for these two costs at $20.00.

When narrow base terraces are used, about 5% of the land is taken out of production. On this farm, returns above direct expenses lost because of the land area occupied by the terraces is about $4.00 per acre annually. Adding all of the terrace costs puts the total annual costs per acre at about $24.00. (If the cost-sharing money is subtracted, total annual costs per acre are about $16.00.)

The benefits are again measured in tons of soil saved. With a rotation of 1 year conventional milo and 2 years conventional soybeans, soil losses before the terraces were constructed were about 8 tons per acre per year. After the terraces were constructed, soil losses should be about 2 tons per acre per year. That's a savings of 6 tons per acre per year.

# Area IV HOT Field Day
# August 23, 1984
# James Creek Ranch, Monroe County

Tours - 9:00 a.m. to 12:30 p.m.

(tours leave every 15 minutes until 11:00 a.m.)

| | | |
|---|---|---|
| Stop #1 | Soil Productivity Demonstration | Tom Furst, MSU<br>Floyd Brent, SCS |
| Stop #2 | Terraces | Leslie Williams, ASCS<br>Randall Gray, Farmer<br>Jim Crouch, SCS |
| Stop #3 | Forestry and Wildlife | Jerry Hazelwood, MDWC<br>Harvey Huffstatler, SCS<br>Bill Hannaford, SCS<br>James Waddle, MFC<br>John Arreachea, USFC<br>Tim Traugott, MCES |
| Stop #4 | Conservation Tillage | David Summers, SCS<br>Roger Campbell, Farmer |
| Stop #5 | Pasture | Dr. Lamar Kimbrough, MCES<br>Tom Crook, Farmer |
| Stop #6 | Water Quality | Dr. Bob Chapin, MCES<br>Danny Averett, SCS |
| | Proper Land Use | Tour Guides |

**Platform Program 1:00 p.m.**

| | |
|---|---|
| Master of Ceremonies | Dalton Garner, Area IV<br>MACD Vice President |
| Invocation | Danny Coleman, SCD<br>Commissioner |
| Welcome | Steve Holcombe,<br>Farm Manager |
| Drawing for Door Prizes | |
| Speaker | Earl Manning, Manager,<br>Mid-South Office,<br>PROGRESSIVE FARMER,<br>Memphis |
| Recognition of H.O.T. Steering Committee | Dalton Garner |
| Awards Presentation | Ray Beckham, President, MACD |
| Drawing for Door Prizes | |

Adjourn

**(Be sure to visit exhibits in tent area which will be open from 9:00 a.m. until 12:30 p.m. and from 2:00 p.m. until 2:30 p.m.)

# CONTRIBUTORS

Alcorn County SWCD
Lee County SWCD
Lowndes County SWCD
Prentiss County SWCD
Monroe County SWCD
Noxubee County SWCD
Clay County SWCD
Oktibbeha County SWCD
Kemper County SWCD
Itawamba County SWCD
Chickasaw County SWCD
Tishomingo County SWCD
NBC Starkville
Chickasaw County Co-Op "AAC"
Houlka Grain & Feed Co.
Chickasaw Calhoun Grain Corp.
Chickasaw Milling Co. (Houston)
Northeast Miss. Production Credit Assoc. of Tupelo
Federal Land Bank of Tupelo
Bank of Amory
Security Bank of Amory
National Bank of Commerce - Aberdeen
Bank of Mississippi - West Point
First National Bank - West Point
Clay Co. Farm Bureau
Clay Co. Ag Club
First United Methodist Church - West Point
Prairie Livestock, Inc. - West Point
Tom Soya Grain Co. - Clay Co.
Clay Co. Bank and Trust
Community Federal Savings & Loan Association - Tupelo
Sunshine Mills, Inc. - Tupelo
Continental Grain Company - Tupelo
Bank of Mississippi Systems - Tupelo, West Point, Aberdeen, Nettleton, Fulton, Mantachie, Booneville, Corinth, Louisville, Houston, Houlka
Chevron Chemical Co.
Dupont Chemical Co.
Monsanto Chemical Co.

## DONORS OF DOOR PRIZES

Roberts Jewelry - Amory
Pritchard Farm Supply - Amory
Western Auto Store - Amory
Green's Blossom Shoppe - Amory
Hudson Bible and Church Supply - Amory
Monroe County Co-op - Aberdeen
Prentiss County SWCD
Lowndes County SWCD
Green Line Equipment Company - Lowndes Co.
Gibson Pharmacy - Alcorn Co.
Rankin Printery - Alcorn Co.
Comer's Milling - Fulton
Riley's Building Supply - Fulton
Fulton Hardware
Fulton Tire Store
C & P Automotive Parts - Fulton
Fulton Grain
Western Auto Store - Fulton
Wal-Mart - Fulton
Chickasaw Milling Co.
Houlka Grain & Feed
Chickasaw Paw Gove Co.
New Home Building Store - Macon
Cade Hardware - Brooksville
Trulock's - Macon
Mullin's Department Store - Starkville
Randle Feed Co., Inc. - Starkville
Farm Services, Inc. - Starkville
Bryan Food, Incorporated - Clay Co.
Smith Farm & Garden Supply - Clay Co.
Clay County Co-op
Building Service, Inc. of West Point
Sisk Fertilizer & Lime Service - Chickasaw Co.

## Area IV H.O.T. Committee Chairmen

Steering - Dalton Garner
Information and Education - Cliff Bice
Finance - Charlie Greer
Forestry - George Ayers
Program - Tony Thompson
Conservation Planning - Jim Crouch
Farm Selection Committee - Jimmy Stevenson
Farm Equipment, Chemicals & Fertilizer - T. J. Rice, Bubba Burnside
Food - Josey Smith
Evaluation - Bob Williams
Tour - Robert Holly

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**Organizations and agencies cooperating in Operation HOT include:**

the Mississippi Department of Agriculture and Commerce, the Mississippi Farm Bureau, the Soil Conservation Service, the Mississippi Association of Conservation Districts, the Mississippi Soil and Water Conservation Commission, the Mississippi Cooperative Extension Service, the Agricultural Stabilization and Conservation Service, the Mississippi Department of Natural Resources, the U.S. Forest Service, the Mississippi Forestry Commission, the Farmers Home Administration, the Tennessee Valley Authority, Mississippi State University, Alcorn State University, Delta Council, Mississippi Association of Farmer - Elected Committeemen, Mississippi Agricultural and Forestry Experiment Station, and Mississippi Department of Wildlife Conservation.

GREENWOOD HEARING

STATEMENT OF HOBSON GARY, CHAIRMAN, MISSISSIPPI AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Acreage Reduction Program (ARP) and Cash Land Diversion Program (CLD)

At present, the Secretary must implement a minimum acreage limitation of 25%, of which 5% must be a cash land diversion payment. It is my opinion that the necessity for the required limitation is valid and I have no opposition to the diversion payment rates.

However, while I have no quarrel with the various options considered, although I think any acreage cutback exceeding 30% would be extremely harmful to the rice producers, the Administration must find a way to have separate acreage set-aside for long grain and medium/short grain. Of the 1983 production, only 17% was medium and short grain, yet in excess of 50% of the ending stocks were medium and/or short grain. The industry is not suffering from the production of long grain. The long grain carryover is a modest quantity which could become in very short supply should there be a slight change in the weather in competitive exporting countries.

Target Price

The target price of $11.90 per cwt. according to amended legislation is acceptable given current circumstances.

Loan and Purchase Rate

The 1985 crop loan and purchase rate by formula would be $8.93 per cwt. with the Secretary of Agriculture having the ability to adjust downward but not lower than $8.00 per cwt. It is understandable that the Secretary will probably adjust the loan rate to $8.00 per cwt., but again a large differential must be made between long grain and medium/short grain varieties. A support price that is higher than the world market severely limits the movement of the medium/short grains that are so dependent on sales in very few export markets.

Establishment of 1985 Rice Acreage Base

I would like to see a halt to the steadily increasing rice acreage bases because of the escalating cost of the program. Bases should be frozen until demand increases.

Utilization of the Acreage Conservation Program

I support the Department's position, i.e., that the planting of alternate crops be not permittted, but am in support of haying and grazing being permitted.

Offsetting Compliance

I am definitely in favor of offsetting compliance, because you will control production until this is in place.

Binding Contracts

We believe that participants who sign a Rice Program contract should be bound by it. It is the only way to improve program effectiveness.

Summary of Options

I am inclined to choose a 20% ARP and a 5% CLD.

Loan Maturity Period

I am adamant, that, for the good of the whole rice industry, the USDA must steadfastly adhere to a common maturity date.

Staggered take-over dates present the following insurmountable problems:

1. Those areas which must surrender their rice to USDA at the earlier maturity date will be at a disadvantage if a foreign or domestic buyer should be in the market for rice after that date. Areas with the later maturity date obviously accrue that advantage, unfairly in our judgment since it would be as a result of decree rather than a natural advantage.

2. I see no clear division in Louisiana where rice is grown in a belt from Southwest Louisiana to Northeast Louisiana. I believe that a clear-cut division cannot be determined for the purpose of offering different maturity dates in that state. It is very probable that the institution of such a plan would have neighbors with varying maturity dates.

3. As a member of a Co-op with members in all of the four major rice-producing states in the South which ships much of their members' production to Texas and commingles the lots, I feel it would be impossible to designate different maturity dates to rice in the same storage bins.

4. Both Texas and Louisiana, in an effort to maintain an orderly harvest, require an April 30 maturity date such as we have now. This date permits any take-over rice to be duly

recorded by CCC and moved in time for the receipt of new crop rice.

I appreciate the opportunity to offer my views on the various aspects of the 1985 Farm program.

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STATEMENT OF WOODS EASTLAND, CHAIRMAN OF THE BOARD, STAPLE COTTON DIVISION, DELTA COUNCIL

Mr. Chairman, my name is Woods Eastland and I am a cotton, soybean and rice farmer from Sunflower County. I appreciate the opportunity to participate in this discussion. Recognizing the time limits of panel participants, I would like to speak specifically on the importance of maintaining and expanding export markets for U.S. farm products.

The United States ranks as the world's largest agricultural exporter. Our agricultural exports have registered roughly a tenfold increase in value in the past two decades and have more than doubled in volume. One an acreage basis, our exports in fiscal year 1980 represented the output of nearly 138 million acres of cropland, or the equivalent of two out of every five U.S. acres harvested. Part of practically every crop grown in the United States is exported, with extremely large shares of some commodities going overseas. Exports accounted for the equivalent of three-fifths of the U.S. production of wheat and sorghum in 1980; half the soybeans and rice; and more than one-third of the cotton and corn.

Twenty-five cents of each dollar earned by U.S. farmers came from exports in fiscal 1980. A share of some of the more important crops, computed on the basis of export volume, were; rice, 60 cents; wheat and flour, 60 cents; soybeans, 50 cents; cotton, 60 cents; and coarse grains, 30 cents.

Farm exports were valued at approximately $44 billion in 1980/81 but generated more than twice that amount in business for the U.S. economy, based on recent U.S.D.A. calculations of the impact of agricultural trade. In fact, U.S.D.A. economists calculate that, at the very least, each dollar received from agricultural exports stimulates another dollar and five cents worth of business activity for the rest of the economy. This means that the $44 billion of U.S. farm products sold abroad in 1980/81 created more than $88 billion worth of business for U.S. industries. Beyond this, agricultural exports generate more than one million jobs throughout the economy. Half a million of these are on the farm while the rest are related to assembling, processing, and distributing agricultural products for exports.

Agricultural exports have been declining over the last two years, going from approximately $44 billion in 1980/81 to $38 billion estimated for the current year. One of the most serious

problems that we face in the future is concerned with maintaining and expanding export markets for both agricultural commodities and manufactured products.

Too many people are prone to view foreign trade entirely separate and remote from other segments of our national economy and to dismiss factors that affect exports and imports as being of little significance or importance to their own personal welfare. Nothing could be farther from the truth. We must recognize that our export markets are of tremendous importance to the economic health of our Nation. Also, consumers must recognize that agriculture is our largest and most important industry and that agriculture and agricultural exports are not only of overriding important to the Nation but also to their individual welfare.

Foreign trade losses in recent years have been closely related to the world-wide recession, high interest rates and the continued strength of the U.S. dollar, which have made our farm products and manufactured goods more expensive in terms of foreign currencies. Additionally, both U.S. agricultural products and manufactured goods have suffered because of trading practices, subsidies and trade barriers of many foreign Nations. The Common Market, or European Economic Community is an illustration. The Economic Community's export strength has been largely built upon a policy of high internal support price and large export subsidies rather than upon competition in the marketplace.

To further complicate the foreign trade picture is the question of how we can counter the unfair trade practices of countries with State-controlled economies. So far, our trade with such countries has been rather limited; however, it may change as the foreign trade controversy between such countries as the United States and China heats up.

The United States has the most liberal and "open" foreign trade policy of any Nation; however, many of our strong "free traders" appear to overlook the fact that trade is a two-way street. We cannot long survive if we permit free access to our own markets while being denied full access to those of our trading partners. We must strongly insist that both sides play by the "same set of rules."

Specifically, with regard to agriculture, a high level of agricultural exports contributes to favorable commodity prices here at home which permit farmers to obtain their income from the market. This, of course, minimizes the cost of farm programs.

Because of the importance of U.S. farm exports in maintaining a favorable balance of trade, the expansion of export markets for U.S. farm products should be one of the Number One objectives of the new farm bill. Congress has exercised good judgment and foresight in providing "a set of tools" which has been used by the U.S.D.A. to help accomplish this objective. These tools in-

clude CCC credits, Public Law 480, Export-Import Bank Loans, interest "buy-down" provisions and "blended credit." We believe that all of these tools should be utilized in the future and that funding should be provided to permit the use of these tools in as effective a manner as possible.

We also believe that export controls and moratoriums on foreign trade have no place in a free society and that a "market-oriented" agricultural policy cannot function effectively unless farmers have full and free access to both domestic and export markets. There should be no embargo or any other restricitons on sales and shipments of farm products to any foreign country except during periods under which there has been declared a state of national emergency by the President of the United States under the guidelines by the Congress together with an embargo of all U.S. exports to such foreign countries.

Mr. Chairman, in closing I wish to express appreciation to you for the effective manner in which you are serving our Nation's farmers and agricultural interests. It is of paramount important that the new farm program not only serve the best interests of farmers but also that it contribute to the welfare of our entire national economy.

Thank you very much.

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STATEMENT OF DAVID MULLENS, COTTON PRODUCER,
COAHOMA COUNTY, MS

Mr. Chairman, my name is David Mullens. I am a cotton and soybean farmer from Coahoma County, Mississippi, and I appreciate the opportunity to participate in this discussion of agricultural problems and needs.

Others on the panel have listed recommendations regarding farm program provisions that should be included in the new farm bill. Others have also emphasized the importance of maintaining and expanding agricultural exports. In an effort to avoid duplication of recommendations, I would like to focus attention on the importance of providing fully adequate support for agricultural research programs.

The importance of agriculture to our Nation has already been mentioned here today; however, I wish to again emphasize the fact that agriculture is our Nation's biggest industry and largest employer.

Also, no Nation in history has ever had such a bounty of food, fiber and essential agricultural raw materials available to its citizens as we now have in the United States of America. Also, the farmers of no other nation have ever approached the farmers of this country in their ability to produce efficiently.

Mr. Chairman, one farmer in the United States produces enough for himself and approximately 77 others and the average U.S. family spends only 16 percent of their disposable income for food, despite inflation.

The ability of U.S. agriculture to produce efficiently is largely the result of the development of technology through research by our Land Grant Universities and the USDA and the dissemination of this technology to individual farmers by the Cooperative Extension Service.

While we have been remarkably successful in providing abundantly for our food and fiber needs, farmers are now finding it increasingly more difficult to make "ends meet". A quarter of a century ago, farm production costs represented only about 54 percent of the average farmer's gross income. By 1974, such out-of-pocket costs amounted to approximately 71 percent of the farmer's gross income. Costs of input items have skyrocketed since 1974 and gains that we had achieved in technology have been greatly eroded by inflation, high interest rates and failure to provide needed fundiing for essential research efforts. For example, only about two percent of the Nation's research and development budget is now allocated to agricultural research and federal budget-makers have not only failed to recognize the urgent need for adequately funding agricultural research and education programs but funds are being diverted from production research to other fields. We are now working on the "leading edge" of our technology and we must recognize that we are actually losing grounds in terms of providing needed funds and facilities necessary for the development of new technology.

We are greatly concerned by the fact that U.S.D.A.'s agricultural research programs have fewer scientists now than they had 10 years ago. Also, research work at Land Grant Universities and State Agricultural Experiment Stations has suffered under a similar leveling off of support. Had it not been for the understanding of the importance of agricultural research by a few key members of the Congress of the United States, primarily those in top Appropriations Committee positions, many vitally important research programs would have been terminated. Here, we wish to recognize and express appreciation for the stong support that you have provided for agricultural research.

We recognize the urgent need for economies in Government but wish to point out that funding for agricultural research programs represents an infinitesimal percentage of our national budget. Also, public investments in agricultural research have consistenly provided annual returns of 30 to 50 percent. The greatest beneficiaries of these investments are American consumers.

In looking to the future and with projected population increases, increased demands will be placed on the productive capacity of U.S. farms and farmers. We cannot expect that a Dy-

namic and productive agriculture, geared to meet the needs of our complex society, will be possible without a stronger commitment to research and education programs.

I wish to again thank you for your strong support of agriculture and agricultural research and for the effective leadership that you are providing in the United States.

Thank you very much.

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STATEMENT OF RALPH WEEMS, CHAIRMAN OF THE BOARD, AMERICAN SOYBEAN ASSOCIATION

Thank you, Senator Cochran, for the opportunity to appear here to discuss the issue of the 1985 farm bill in general, and its specific reference to soybeans. I am Ralph Weems, a soybean farmer from West Point, Mississippi. I appear here today not only as one of your constituents, but also in my role as Chairman of the Board of the American Soybean Association. ASA is a national, non-profit, volunteer association supported by over 450,000 soybean farmers. I am pleased to be able to present ASA's views on the issue of the 1985 farm bill.

Senator Cochran, while there understandably is a great amount of attention being paid to the 1985 farm bill, it is the view of ASA that other issues under the jurisdiction of the Congress are far more important to American soybean farmers. While the farm bill is indeed of consequence, no bill the Congress will pass will offset the impact high interest rates and the over-valued dollar are having on soybean farmers. Our federal government's record budget deficits are holding real interest rates to their highest level in history. Each one percent rise in the prime rate increases the cost of borrowing to American farmers by between 2 and 3 billion dollars annually. That's 2 to 3 billion dollars that otherwise would be net income to farmers, but is instead a cost of production.

The high real interest rates have brought about huge foreign investments in U.S. dollars, resulting in a rise in the value of the dollar to record levels against the British pound, French franc, and the German mark. I can recall when a dollar was worth 1.7 German marks. Today it is worth 2.8 German marks. It used to be that there were 4 French francs to the dollar. Today it takes almost 9 French francs to equal the value of a U.S. dollar. As a result of the overvaluation of the dollar, our foreign customers must still pay what is for them high prices (in their currencies) for soybeans that U.S. farmers are selling in dollar prices (which are below our cost of production). We see price rationing of our soybeans out of foreign markets before our dollar prices reach profitable levels. To add insult to injury, the high-valued dollar is providing huge incentives to Brazilian and

Argentine farmers to grow more soybeans, since they sell in dollars but buy their inputs in devalued Brazilian cruzeiros.

Possibly the most adverse long-term impact of the high-valued dollar is the fuel it is providing to U.S. protectionism. Foreign-made goods are now more competitive in the U.S. and are gaining market share in many industries. Predictably, the impacted domestic industries such as steel and textiles are crying for import restraints to protect them from the lower-priced imports. If the U.S. gives in to the protectionist pressures, it is certain to set off retaliation against agricultural and other exports that will hurt us for many years to come.

If the Congress and the Administration were to bring down U.S. budget deficits and, in doing so, reduce U.S. interest rates to 7% from the current 14%, the benefit to U.S. farmers would be between 14 and 21 billion dollars in net farm income. If the value of the dollar were to fall 30% on world currency markets it would have the effect of raising our prices by as much as 30%. No farm bill could mean that much to American farmers. Thus, before the Congress acts on a farm bill, ASA urges the Congress to first balance our federal budget to bring down interest rates and the value of the dollar.

With respect to the farm bill, the American Soybean Association urges a continuation of the current loan program for soybeans, whereby the soybean loan rate is equal to 75% of the average price received by farmers for soybeans during the preceding five years, excluding the high- and low-valued years. The statutory minimum loan rate of $5.02 per bushel should be retained. ASA also asks that the farm bill continue to prohibit the Secretary from offering a soybean target price, any production control program for soybeans, or any form of a federally-financed soybean reserve program. All we want in the form of supports is a market-oriented soybean loan program without any other incentives or disincentives for soybean production.

ASA is convinced the success of the market-oriented policies in effect for soybeans at present and in the past justify a continuation of the same basic program in the future. During the 14 soybean marketing years since 1970 the simple average price received by farmers for soybeans has equaled over 77 percent of parity. That's higher than for wheat, corn, cotton or rice. While we agree parity is a poor price index, it does indicate the market-oriented soybean program has served our industry well. We see no reason to change now.

One area we believe deserves special attention in the 1985 farm bill is export expansion programs. ASA continues to believe that using federal expenditures to develop U.S. agricultural exports returns a much greater benefit to American farmers and the Nation as a whole than do expenditures for domestic support programs. ASA is confident America can greatly increase its agricultural exports in the future, but to do so will require large federal

investments and a national commitment to exporting our commodities. When the Congress writes the 1985 farm bill we urge Title I to be designated the export expansion title and that federal export programs receive a priority for funds available to agriculture.

Specially, ASA urges the Congress to include the following in the export title of the farm bill.

1. Required Funding of GSM-301 Infrastructure Loan Program

   The Agricultural Trade Act of 1978 authorized the Secretary of Agriculture to extend 3- to 10-year direct loans to foreign nations to purchase U.S. commodities. The internal proceeds from the resale of those commodities are to be used to construct infrastructure to improve the nation's ability to receive, distribute, process and utilize imported U.S. commodities. To date only one loan for an elevator in Israel has been extended under the program. Yet, ASA is convinced the program can be helpful in developing long-lasting markets for U.S. commodities in many developing nations which lack efficient infrastructure to use our commodities. Through the program we can help nations build off-loading elevators, slaughter houses, feed mills, bakeries, and other essential infrastructure which will lead to growing markets for our commodities. The Congress should see the program is implemented in the future.

2. Expand the P.L.-480 Program

   Since its inception 30 years ago, the P.L.-480 program has been a mainstay in developing foreign markets for U.S. commodities. Yet, funding for the program has not kept pace with inflation and commodity prices or with growing foreign food needs. We urge the Congress to expand funding for the P.L.-480 program next year.

3. Coordinate U.S. Aid and Trade

   For far too long U.S. foreign aid programs have been aimed at assisting development in foreign nations with little or no regard for U.S. trade objectives in those same nations. One too many occasions our foreign aid programs have been in conflict with our trade interests. ASA believes we must see that our foreign aid programs not only benefit recipient nations, but also designed to complement our export expansion programs. The 1985 farm bill is the correct place to require such coordination.

Another area ASA believes needs attention in the farm bill is agricultural research. For the U.S. to maintain its international competitiveness and reduce production costs, we need to keep up an aggressive research program aimed at boosting yields, controlling pests and diseases, and at developing new uses for

our products. We need more research to find a solution to nematodes, stem canker, aerial leaf blight, and other pests and diseases cutting our soybean yields. ASA also is concerned that the share of federal research expenditures allocated to soybeans be commensurate with the importance of soybeans as a crop rather than tied to historical patterns. Soybeans are the largest cash crop in most Southern states, yet other crops are receiving a substantially larger share of federal research dollars.

Mr. Chairman, ASA recognizes the 1985 farm bill will be a long, hotly-debated issue. We know other sectors and organizations have different views on U.S. agricultural policy. ASA does not intend to get involved in other commodity programs. That is the concern of producers of the other commodities. However, ASA does feel the Congress must recognize the reality that American agriculture sells into and depends upon the international market. We are in a battle for export markets with producers in other nations. Accepting that reality, we must make sure our programs are consistent with the international marketplace. We must make sure our government export assistance and research programs allow U.S. producers to exploit their comparative advantages and compete effectively with our foreign competitors. ASA is confident our current soybean program allows the soybean sector to compete. We want our government to place a higher priority on helping us grow soybeans more efficiently and compete in the international market.

## ADDITIONAL STATEMENTS

### STATEMENT OF JOHN MEACHAM, JR., CHAIRMAN OF THE BOARD AND TRUST OFFICER, BATESVILLE SECURITY BANK, BATESVILLE, MS

Senator Cochran: I thank you for the opportunity to submit opinions, comments, and recommendations on the current condition of the farming industry in the United States and on the part that the Federal Government must take in this dilemma. My remarks are based on my experiences over more than twenty five years as chief executive officer of the Batesville Security Bank and the Peoples Bank of Quitman County, which is one of Mississppi's fastest growing banks and one that has consistently been a leader in lending to farmers and agri-business firms.

At the outset I would like to say that the farming industry has faired best during those brief periods when the Federal Government has had little or no involvement in the affairs of the farmer and a return to this type of situation is very much to be desired. However, the farmer desperately needs help now, and the world's rapidly expanding population desperately needs the American farmer to insure an adequate supply of food, fiber, and other strategic commodities.

The condition of the agricultural economy in Mississppi, and apparently in most of the farming areas of the country is now very very critical. For many years the trend of operations for even the better farmers has been downward. During the last four or five years a combination of droughts, floods, and economic conditions wherein costs to the farmer such as interest, machinery, equipment, supplies, chemicals, fuels, and fertilizer have skyrocketed while the prices received for farm commodities has remained relatively stable or increased at a rate much slower than the rise in costs, has brought the farming industry to the point that without emergency aid only the most fortunate will be able to continue in operations in 1985. The solution to the problems have been sought through more and more borrowings until the equities available for collateral are all used up. Lending institutions, that have continued working with the farmers have so many loans that are not being reduced and so many assets acquired by foreclosure that will not sell at a reasonable price, that they cannot nearly take care of the borrowing needs for a new year. The Farmers Home Administration has made so many loans and at such a rapid rate that its staff is swamped and its computer system is ineffective. If this agency forecloses on its past-due loans, farm production would largely be left up to the Federal Government.

If the foregoing is a fair appraisal of the condition of the farm economy, what kind of a program must the Federal Government now adopt? My answer to this is a program that will make farming profitable again. There is no readily apparent way to do this, but we must keep trying. We need a short-term program to keep the farming industry going until a longer range program can correct enough of the basic ills that the farmer can stand alone again.

For the short-term program, we first must have an emergency system of financing. I recommend that we let the financial institutions in the private sector make the loans. They are the professionals and they have to answer to their customers and their stockholders. In the past we have had too many loans made by Government employees on the basis of what the law allows with too little consideration to what the credit factors justify. For the private sector institutions to make the loans at a rate the farmers can pay, we are going to have to provide a workable system of loan guarantees and a source of funds from the Federal Reserve Banks at a cost less than the present discount rate. In addition to the financing, we have to have for the farmers, for a two-year period, realistic target prices free of payment limitations, fixed in firm dollar-and-cent amounts before planting time so that the producer can plan his operations, knowing that he will get at least a minimum price.

For the long-term program, we need an aggressive research program designed to accomplish in no more than two years:

A really significant reduction in the factors that negatively effect the costs of farm production.

The development of farm commodity marketing program, understandable to and workable by the farmer, which will assure that the speculator gets less and the farmer more of the value from his production.

The development of a system of compensating the farm producer for any loss incurred because of policy or policies of the Federal Government; i.e. embargo on farm commodities or similar actions.

The establishment of long-term reserve that can serve the goal of national and international food security. The reserve must be set by law and its release and call levels should be inviolate until a change is clearly needed.

Above all we must see that the financial operations of the United States Government are brought under control again. Neither our farmers nor our system of Government can survive unless our politicans are relieved of many of the special-interest pressures which cause them to take financially unsound positions. The Constitutional Amendment to require a balanced budget, as objectionable as it is, seems to be a necessary step.

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STATEMENT OF L. A. DAVIDSON, PRESIDENT, MISSISSIPPI AMERICAN AGRICULTURE MOVEMENT, INC., INDIANOLA, MS

Mr. Chairman, I am L. A. Davidson of Indianola, Mississippi, President of the Mississippi Chapter of American Agriculture Movement, Inc. We appreciate the efforts of this Committee to recognize and solve the acute and chronic problems engulfing agriculture. We know you share our concern for the present precarious financial condition of farmers and the effect it has had on Mississippi and our Nation.

Independent farmers are familiar with and can survive the attacks of nature. Presently, we are victims of a ten (10) year assault by forces beyond our control that are too numerous and viscious for us to overcome. The Governmental actions sacrificing farmer rights and interests in favor of foreign policy ventures, cheap food and fiber interests, harmful economic and monetary policies, and inept and disastrous fantasy pursuits by groups falsely claiming to represent farmers have defeated all efforts of independent farmers to survive. The work by these forces is evidenced by embargoes, merchant and futures market price manipulations, U.S.D.A. prodding for "fence row to fence row production", sacrifices for a non-existent free market, disadvantageous trade agreements, overvalued dollar and many

other injustices. Farmers have been forced to accept prices to low for a profit.

The attempted subsitution of credit for profit has duplicated the zero repayment ability levels and other true economic comparisons with the depths of the depression of the 1930's. Very high production expenses continually rise, and without compensating price increases, no profit is possible for the independent farmer. The subsitution of credit for profit results in an ever increasing farm debt and interest load from which there is no escape.

In the spring of this year, FmHA had over 2,200 farms under their management. They had repossessed at least 400,000 acres when the courts stopped some of their activity. The GAO is now studying the management of some of these farms in six (6) States. You can be assured that the cost for a bureaucracy to manage thousands of farms will be incalculable. The FmHA is reported to have over 200 repossessed farms in Missouri alone.

The Federal Land Bank of Jackson, covering Mississippi, Louisiana and Alabama had 81 farms of December 31, 1983. Nine months later they have 140 farms, even though they are constantly selling. On December 31, 1983, Federal Land Bank of Louisville had 166 farms and the Louisville Production Credit Association had 310 farms. If their repossessions have increased at the same rate as in District V, they will presently have 700 farms. The total numbers for the country along with the accompanying implications set the State for terrible results.

If effective action is not taken soon, U.S.D.A., P.C.A's, Federal Land Banks and other lending agencies may well be handling a farm operation second only to Russia and China in 1985. Mr. Stockman and Mr. Block will earn their salaries if they have any success at all. If the court ordered moratorium for North Dakota and Mississippi FmHA foreclosures is reversed, the situation in this country will be catastrophic.

Most long term EM and Disaster Loan periods have expired or will expire this year. Banks and other private lending institutions cannot be expected to step into certain losses unless Congress rapidly develops and executes a farm plan that will provide producers a higher price for basic commodities and livestock. Without repayment ability, nothing will work. At present, nothing, including the President's plan announced Tuesday, offers any hope.

No person can borrow himself out of debt. The American Agriculture Movement, Inc. feels that only direct Congressional action will save the independent farmers of the United States.

Mr. Chairman, you have stated that the Administration seems to be strongly opposed to any new legislation . . . providing legal authority for a moratorium (on) foreclosures by FmHA.

The American Agriculture Movement, Inc. agrees. Based on past observation we feel that the U.S.D.A. exerts enough influence in any administration of either party to prevent obvious steps necessary for the survival of the individual farmer.

We remember that Mr. Reagan, on September 30, 1980, stated: (quote) "Profits are essential to the farmer and to the consumer. They are vital to the family farm, to our productive agriculture and to feed ourselves . . . that's the key word . . . profit. . . farmers deserve to get a return above their costs and to get a profitable return on their hard work and investment. I want farmers to get a fair shake." (end quote).

This statement was made nearly four years ago. Since then tens of thousands of farmers have received more shake than they could stand and it is now obvious that the Administration is not going to establish conditions permitting a profit for the majority of independent farmers.

Cotton is grown from the Atlantic to the Pacific, from Missouri to Mexico but there are only about 35,000 producers today. Only a few years ago, there were more than 200,000 cotton farmers. It is not advisable to have production of any crop or enterprise concentrated in a limited area or controlled by a small group.

Mr. Chairman, in your January 1984 efforts to obtain the establishment of a Presidential Task Force on Agricultural Credit, you stated: "I think we face a very serious crisis . . . and it needs the immediate attention of the Government". You also stated: ". . . those farmers who through no fault of their own, have become burdened with an enormous amount of debts that is simply going to require time for them to work their way into a position of solvency".

We agree, but we must add that time alone will not suffice. As Mr. Reagan expressed so clearly: "Profits are essential". The American Agriculture Movement believes that time and profit opportunities must be available to producers of livestock and the basic commodities. Prices must be stabilized to levels reflecting equitable ratios capable of yielding profits to efficient farmers on adapted soils under acceptable climatic conditions.

The American Agriculture Movement, Inc. voiced the crisis concern in 1978 and recognized the extreme crisis that was in full bloom in 1980 when candidate Reagan promised profits to farmers. Since then, U.S. farm debt has increased from $166 billion to over $215 billion, even with PIK.

In 1973, Mississippi produced agricultural commodities valued at $1.95 billion. The Mississippi Extension Service announced a goal of $3 billion dollars for 1983. The program was called - 3 by '83. For 1983, in terms of 1973 dollars, even with PIK, Mississippi Agricultural production amounted to $1.3 billion. This is a decrease of 32% in 10 years. At no time has the gross

equalled the 1973 total and expenses have increased each year. The Mississippi farm debt is over $4 billion. It has more than doubled in 10 years and the increase is at a rate more than 1/3 higher than the national average.

Obviously the safety nets are not working. We believe they should be raised or replaced with a viable system. The American Soybean Association claims that $5.02 per bushel is the proper loan rate and that before Congress acts on a farm bill, it should balance the budget to bring down interest rates and the value of the dollar. They also recommend that other commodity loan rates be lowered to correspond with the soybean rate.

There is no way that independent farmers can survive until the budget is balanced and the value of the dollar is lowered unless we make a profit.

Equally alarming is the recommendation of Farm Bureau President Delano, namely: (quote) "Farmers need to take more risks and open themselves more to supply and demand signals from the market place, rather than asking for more Government support programs". (end quote). Former Secretary Earl Butz is quoted as saying: "If farmers accept less Government intervention, the resulting lower commodity prices will mean a more competitive stance in the world market". Additionally, Butz praised a Farm Bureau Committee resolution recommending the phasing out of Government price supports after 1985.

We feel that the credibility of all farm or pseudo-farm organizations and all spokesmen has been established by the volumes of position papers and statements presented over the years. The position of the American Agriculture Movement, Inc. has not changed from its 1977 position, except to conform to the continually deteriorating conditions bringing us closer to the unacceptable climax. We have no sacred cows or programs. We just want some relief!

We are certain that everyone understands the fallacies that have brought us to our knees. We urge the Committee to immediately proceed to provide a stop-gap means of survival so that a competent farmer can tread water until Congress can provide an income producing program based on high target prices, increased loan rate levels, sliding target prices, or whatever system that is most acceptable politically.

There are many approaches that warrant consideration for an attempt to solve the emergency that is upon us. To counter budget office arguments, a tax on farm commodity trades on the futures exchange might be considered as a way to finance a higher level of supports.

If the International Grain Cartels will not permit higher price supports for cotton and grains, a special export assistance program might be acceptable as an interim measure until the large

deficits, strong dollar and high interest rates return to more acceptable levels.

If a farmer is scheduled to draw more than $50,000.00 in Government payments, allow him to apply the excess to farm debts. Most people will agree that any supply control program will not be effective unless the large operations can be induced to participate. No approach should be discarded without close analysis.

There is no way we can continue to substitute credit for profit. Affirmative action is now necessary because of the enormous debt burden accumulated by the farm community as a result of actions over which the farmer had no control. If Congress intends to permit basic commodity and livestock prices to stay below the cost of production, it would be merciful to so state. As Senator Thurmond stated last winter: (quote) ". . . if the independent farmer cannot exist, and he cannot exist when prices are below the cost of production--then corporation farming will come into being . . . corporations farm for a profit . . . (this) means higher prices for the consumer".

Mr. Chairman, we believe everyone on this Committee knows that the survival of this nation depends on the rescue of the independent farmer from obvious destruction. We farmers know that our only hope must spring from the Agriculture Committees of the Congress.

We thank you for your support and appreciate your consideration of our position.

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STATEMENT OF HOSEY WHITE, VICE PRESIDENT, MISSISSIPPI AMERICAN AGRICULTURE MOVEMENT, INC., PANOLA, MS

Mr. Chairman: I'm Hosey White, Vice President of the Mississippi American Agriculture Movement. I'm a cotton, rice, and soybean farmer from Panola County, Mississippi.

We want to thank you Senator Cochran, for taking time out of a very busy schedule to come and discuss some of the problems facing us as American farmers. We thank you for the interest you have shown in us.

Senator, I believe we would see every faze of our economy improved with a farm program that would give the farmers of this nation a profit.

We have been told that the economy of the United States is on its way back up. We all know that American agriculture is in serious trouble. If the economy is improving, I believe it is at the expense of the American farmer. We know that our farm debt is up and our income is down. For about the last eight years the

only way most farmers have stayed in business is by borrowing on their land, or by going in debt to Farmers Home Administration.

We were told in 1978 just to hold on, things were going to get better because, some of our neighbors around the world would have a disaster and would be begging to buy from us. At the cost of production these days, how much longer can we expect to hold on? We are not getting the cost of production now, but I believe we deserve cost of production plus a profit. We've heard so much about how we need more exports, how we need lower interest rates and we do agree with these needs, but what we need is higher prices. What good is more exports if we've got to sell at a lost.

The American Agriculture Movement was established in 1977. We at that time were faced with higher production cost. We asked for a farm program that would give us parity for our commodies. All we were promised were more loans. We said then and it has been proved since, that we could not borrow ourselves out of debt.

To restore farm income to parity could be done with a pay increase of 3 percent to the farmers, which would add $100-billion to our national income--not to on debt. This would not be too great of an adjustment when you consider wages in the steel, coal and trucking went up 35 percent again this year. Government blue-collar workers salaries went up 125 percent since 1970. Medical expenses up over 400 percent. Environment regulations now add over $600.00 to the price of a new car. Labor gets 37 percent of the food bill and that is 6 percent more than the producer gets.

If we raised food prices from 16 cents of the dollar to 19 cents it would still provide us with the cheapest food in a world that spends 60 cents of its dollar for food. To restore farmers to the prices they were getting 20 years ago is not a cost, it is an investment in our own life support system.

Other business are always making inventory adjustments despite keeping over a $400-billion inventory. This cost of inventory on the shelves of every other business is not permitted to break the price. This cost is passed on to the consumer and they never complain about it.

We farmers are not like other industries, we can't shut down our factory for 2 or 3 weeks to bring our inventory in line. Droughts and floods, worms and boll weevils can't be programed for convenience. The way this big agricultural machine works is by the grace of God, and not by the whim of man.

The law of supply and demand is vetoed for agriculture. If supply exceeds demand, prices should drop, or if the producer gets less, then the consumer should pay less. However as anyone

can tell you--this is not so. While farmers are going broke, retail food prices are soaring.

There is about 3 cents worth of wheat in a 70 cent loaf of bread. The wrapper on the bread cost more than the wheat. Everybody except the farmer is able to add on a profit.

The farmer, alone and segregated by the system, isn't bused across town to the cost plus a profit school.

Why did the depression of the 1930's continue after 10 years? Agriculture averaged 75 percent of parity all this time, and because the primary purchasing power created by agriculture was only 75 percent of parity, there was only 75 percent of full demand for other products. Labor remained only 75 percent employed and Americans had only 75 percent of the income they would have had under full parity.

We believe for a farm program to be sucessful, the payment limitation needs to be done away with. Because we need an acreage reduction program. This $50,000.00 limitation effects over half the farmers in Mississippi. If it is not possible to get enough urban congressmen to vote for raising the $50,000, why not set the commodity loan rate each year at a price that would give the farmer a profit. If by raising the loan rates makes our products too high to sell, then let the Government discount the prices.

I believe if the demands are low for our products then we need a mandatory acreage reduction program.

The American farmer has been subsdizing the consumers with cheap food prices for years, so I think it only fair for the Government to subsidize the 1985 farm program.

I think the expenses to the Government would be much less with a good mandatory acreage farm program each year in line with the supply and demand.

With the average age of the American farmer being 57 you can see that we do not have enough young men interested in or that can afford to farm.

I disagree with some who want to grow to sell on an open market. I think we need a farm program and we need it now.

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STATEMEMT OF W. L. MAGEE, BATESVILLE, MS

Mr. Chairman, I am W. L. MaGee, a farmer from Batesville, Mississippi.

Like the majority of farmers in our State and Nation, I am forced to sell my crops for prices well below the cost of

production. I cannot pay my ever increasing debts and interest payments by borrowing more money. No farmer or any other businessman can borrow his way out of debt. He must sell his production at a profit regardless of embargoes, high value dollars, diplomatic intrigue, foreign nation subsidies and other actions that are completely beyond his control.

The needs of the majority of American farmers are:

1. Profit, not just the cost of production which is only a break-even figure when the most liberal formula is used.

2. Mandatory supply management to prevent overproduction and market collapse.

3. Increased exports, subsidized when necessary to counteract foreign nation subsidies. At present, the United States is the only major exporter of agricultural commodities not subsidizing or otherwise circumventing free market principles.

4. Increased emphasis and research on agriculture based energy to decrease our dependence on foreign oil and to reduce our export-import deficit.

5. Establish a safety net of realistic farm product loan rates that will continue to subsidize the American food basket until most consumers can be educated to the fact that the domestic and foreign consumer is being subsidized rather than the farmer.

6. Fulfill President Reagan's 1980 call for "agriculture to achieve parity." We believe that this can best be achieved by enacting the Dole flexible parity plan as the base for the 1985 farm bill. This plan, with proper supply management controls, can return profits to American agriculture and promote a GNP that will permit this country to solve many of its financial problems.

Most farmers realize that the Reagan administration is not going to take the initiative and permit the average independent farmer an opportunity to escape bankruptcy. We urge this subcommittee to recognize the situation and promote a 1985 farm bill that will provide an opportunity for the remaining farmers to survive the quagmire which they have been forced into over the past ten (10) years.

We thank you for the opportunity to bring our plight to your attention once again.

STATEMENT OF JAMES W. WALLER, LAMBERT, MS

Thank you, Mr. Chairman, for allowing me the opportunity to take part in this panel.

I am James W. Waller from Lambert in Quitman County, Mississippi. I own and rent over 900 acres of soybean, wheat and grain sorghum land. I live in a 35 year old house, drive a small truck and live modestly. My entire family is very involved in farming. We take care of our equipment and strive to be as efficient as possible. In light of all of this, gentlemen, I am very disturbed about the farm situation.

Checking today's bean prices, I find they are below $6.00 per bushel. In 1974 the average price received was about $6.90 per bushel. This will not do. How can we pay 1984 production costs with 1974 incomes?

A 150 h.p. tractor cost $14,000.00 in 1974 and the interest rate was 8%. In 1984 that same tractor costs $45,000.00 and the interest rate is 13 to 14%.

The cost of what we must buy has gone steadily up but the prices we receive for our produce has not. Again I ask how can a farmer pay 1984 production costs with a 1974 income? His only choice is to go deeper in debt or to take bankruptcy.

In seeking a solution to these problems there are several options we should look at.

1. The loan on soybeans could be raised from $5.02 per bushel to $7.02.

2. Soybeans could be entered in the government programs.

3. Investigate the major grain companies for price manipulation.

4. Begin a layout program as mentioned in the Bible. Let the land lay idle for one year in seven. Divide each farm number at the ASC offices into seven equal parts. Each year for seven years the farmer should set aside a different one of those parts. This would set aside 14.3% of our total farm land each year.

5. The best and most logical answer to our problems would be for the prices that we receive for our products to increase at the same rate as our expenses. If a farmer could get parity for his produce (about $13.00 per bushel of soybeans), the FmHA would not be necessary.

Let us talk about suggestion no. 5 for a minute. Some people might object to our use of the word "parity," so let us use the

phrase "cost of living increase." We hear a lot about the necessity for everyone to get a "cost of living increase." This is basically what parity means. At $13.00 per bushel of beans we would be getting about a 7% cost of living increase for each year since 1974. That is not much, considering the fact that some of our equipment and other farming necessities have increased about 300%. If the price that we get for beans had followed this trend, soybeans would be selling for $21.00 per bushel instead of $6.00 per bushel.

Mr. Chairman, on behalf of the American farmer I urge you to continue to do everything within your power to help America by helping the American farmer.

I thank you for the opportunity to voice my concerns for American agriculture.

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STATEMENT OF W. B. LOVETT, RULEVILLE, MS

Senator Cochran, I want to thank you for the opportunity to meet with you. It is an honor to have the opportunity to speak to you about our farming dilemma.

As I traveled over to Grenada from Ruleville, it was a pleasure to see so many good productive looking crops--but it was sad to think the farmer was not seeing a profitable crop, but was only growing himself a disaster. Because buyers have seen the crops too. Therefore lowered prices to the point where there will be little or no profit, not only for 1984 but sets the pattern already for 1985.

This, as I see it, is the picture of the farmer today.

1. He works long hours.

2. He works with less than the most desirable equipment.

3. His work is the most dangerous of any industry and becomes more dangerous as his equipment gets older.

4. He has the highest risk factors speaking monetarily of most all industries.

Farm Credit

Decreasing loan volume caused by farmers going out of business--(1) Due to comparative high costs of producing a crop and (2) low prices for what the farmer has to sell.

PCA Results

Direct loss to lender plus loss of business that add up to an increase in cost of operation, that all adds up to increase in cost of money to the farmer.

Farmer Results

Low or no profit margins or direct loss to the farmer--which adds up to increased indebtedness, which adds to the farmer's cost of production, through debt service and high interest rates. These types of "expenses", added costs to farming, have been been snowballing to the point that many farmers are quitting while they can and others are being forced out because they have waited and hoped for a turn around in profits that have not come--due to adverse weather or prices and in many cases both.

Situation in a nut shell--most farmers are overextended, highly leveraged, in short, in debt.

Lenders carrying more high risk loans, cutting out more borrowers, taking money losses because there seems no way out for many of the borrowers in such an adverse farming environment, so the lenders have no choice but foreclosure.

What is needed--(1) Profits

Roads to profits--(1) Increase demand (2) Decreased production by paid diversion taking land out in order to bring production and demand in the correct proportions.

Farm Program

Long Range:

1. Increase exports
2. Increase domestic use
3. Dollar devaluation
4. Cut costs
5. Decrease interest rate
6. Increase unit production through research, new varieties, new chemicals.

Short Term:

1. Mandatory acreage reductions for all commodities.
2. Adequate price support to cover cost of production.
3. Money supply to farmers at an interest rate the farmer can afford to pay.

Paid Diversions

Relaxing of payment limitation so all producers can afford to participate in the programs.

Sell surpluses to third world countries at prices they can pay.

Help with programs to help feed and clothe third world people that cannot help themselves.

Parity--fair price--equal pay for equal work and risk. Give it any name you like, the farmer can just go so long without making a profit. Many have already gone broke, many more are on the verge of bankruptcy.

Examples of what has happened to the farmer in the last 10 years.

1. Tractor cost--tripled or quadrupled, $10,000.00 to $40,000.00

2. Chemicals up 3 to 6 times the cost

3. Labor cost doubled

4. Fuel cost 3 to 5 times more

5. Rent has tripled

6. Interest rates doubled to tripled

But that only tells a small part of the interest story because of losses accrued and built up and carryovers to produce the same crops. Interest has gone from $3.00 to $35.00 per acre today, this is just to cover interest on production money. But commodity prices in many cases are at or lower than they were 10 years ago.

I would like to say something about conditions of the lenders--more specifically the PCA and their positions. I don't feel at liberty to talk about the farm losses the PCA's are suffering, but I would ask you to go to the proper authorities to get the true picture of the farm credit situation. I will say as PCA board member, we are seeing unbelievable losses. These are far reaching and are in significant numbers all over the State and Nation in all segments of farming. Some of the results of this situation are:

1. Loss sharing by different associations.

2. Mergers to gain strength to weather the economic storm.

3. Partial takeover of loans by Federal Intermediate Bank in order to help the PCA's with the high risk and loss loan.

4. Net loss of business because borrowers can no longer meet the minimum standards of the collateral or cash flow to qualify for loans.

5. Huge write-offs or losses by the individual PCA that has eaten up most of their free cash.

I feel the Farm Credit System is still a healthy lending institution but it, as any other bank, can stand only so much in losses.

PCA's only customers are farmers and as farmers and farming goes--so goes the PCA's.

In conclusion, I see the farming and many of its related industries as a big sick part of our economy and if this country intends to stay healthy and strong it must have a healthy, thriving agriculture.

We only see the tip of the iceberg in farm losses if we don't see a quick turn around in farm profits.

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